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U.S. HOUSE OF REPRESENTATIVES

BACKGROUND MATERIAL AND DATA ON MAJOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

FEBRUARY 18, 1982

Prepared for the use of the Committee on Ways and Means by its staff

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PREFACE

This document has been prepared for the use of the Committee on Ways and Means by its staff in conjunction with its consideration of possible revisions in the various programs under the jurisdiction of the committee.

The book is divided into four parts:

Part 1—Description of programs providing benefits or services to individuals within the jurisdiction of the Committee on Ways and Means.

Part 2—Description of trust funds for which the Committee on Ways and Means has revenue jurisdiction.

Part 3—Revenues.

Part 4—Other matters within the jurisdiction of the Committee on Ways and Means including public debt, the Pension Benefit Guarantee Corporation, and capital construction funds.

Within part 1, there are summary tables indicating the relative size and recent growth of the individual programs. For each of the programs, there is extensive information on:

(a) Who is eligible for the program;
(b) How is the payment actually computed;
(c) How is the program financed;
(d) Characteristics of individuals served by the program, and
(e) Interactions with other major programs.

For the programs described in part 2, a brief legislative history, the current financing mechanism, and the financial status of the trust fund is presented.

Finally, the document contains 11 appendices setting out in detail:

(a) Certain commonly cited statistical data concerning levels of income and poverty in the United States;

(b) National health expenditures and health care expenditures of the elderly;

(c) A brief summary of all legislative changes enacted during 1981 to spending programs within the jurisdiction of the Committee on Ways and means;

(d) A short description of the medicaid program;

(e) A short description of the food stamp program;

(f) How medicare reimburses hospitals and doctors;

(g) The administrative cost of selected programs;

(h) A description of quality control statistics;

(i) Tables describing the demographic and economic resources of the elderly;

(j) Examples illustrating the interactions between AFDC, Social Security, SSI, medicaid, food stamps and the tax system as earnings increase for aged couples and female-headed households;

(k) Statistical history of the social security programs.

In this document, wherever reference is made to data, the source of which is not specifically cited, the information was obtained from the agency under whose auspices the program is administered.

The committee wishes to express its appreciation to the many individuals at the Congressional Research Service of the Library of Congress for their contributions and long hours toward completing this project. Also, appreciation is given to the Congressional Budget Office for providing numbers and analysis in a timely manner. Finally, the committee acknowledges Dr. Gordon Lewis of Carnegie-Mellon University for preparing the charts in section 8 of part 1.

This material has been assembled in a limited amount of time in order that it be available to the Members for use in connection with their deliberations on various budget issues presently pending before the committee. Comments as to how the contents or format of this document could be improved are most appreciated and will help in future revisions so that it can better serve as a resource tool.

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PART 1

DESCRIPTION OF PROGRAMS PROVIDING BENEFITS OR SERVICES TO INDIVIDUALS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1.—Summary Tables Illustrating Growth of Federal Expenditures for Programs Under Ways and Means Jurisdiction

SUMMARY TABLE 1.—TOTAL FEDERAL EXPENDITURES FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1977, 1979, AND 1981

[In billions of dollars]

Programs	Fiscal year				
	Actual				
	1970	1975	1977	1979	1981
Social Security (OASI)	27.3	56.7	73.5	88.7	122.3
Social Security (DI)	3.0	8.0	11.6	13.9	17.3
Medicare—Part A	5.0	10.6	15.2	20.3	29.2
Medicare—Part B	2.2	4.2	6.3	8.8	13.2
Trade adjustment assistance	(1)	(1)	.2	.3	1.5
Unemployment insurance, regular benefits	3.3	11.2	10.7	9.8	15.4
Unemployment insurance, extended benefits		2.1	4.2	.2	2.1
Aid to families with dependent children (AFDC) (includes foster care)	2.8	5.1	6.2	6.6	8.5
Supplemental security income (SSI)	[2] 2.0	4.7	5.3	5.9	7.2
Low-income energy assistance	(1)	(1)	(1)	(1)	1.7
Title XX social services program	.5	2.0	2.5	3.0	3.0
Title IV–B child welfare program	(3)	.1	.1	.1	.2
Earned income tax credit [4]				.8	1.3
Total [5]	46.1	104.7	135.8	158.4	222.9

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

[3] $46,000,000.

[4] These amounts reflect only the outlay portion of the credit.

[5] Totals may not add due to rounding.

Note.—The 1981 expenditure for the AFDC program contains $767 million as an adjustment for amounts previously financed. The 1980 expenditure for AFDC is $7.3 billion and the 1982 projected expenditure is $8.1 billion. Included in "Unemployment insurance, regular benefits" are regular benefits, unemployment compensation for ex-service members and Federal employees and Federal and State administrative costs. "Unemployment insurance, extended benefits" includes special unemployment assistance and Federal supplemental benefits.

SUMMARY TABLE 2.—TOTAL FEDERAL EXPENDITURES IN CONSTANT 1981 DOLLARS FOR SPENDING PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1977, 1979, and 1981 [1]

[In billions of dollars]

Programs	Fiscal year				
	1970	1975	1977	1979	1981
Social Security (OASI)	59.9	92.8	104.3	109.0	122.3
Social Security (DI)	6.6	13.1	16.5	17.1	17.3
Medicare—Part A	11.0	17.3	21.6	25.0	29.2
Medicare—Part B	4.8	6.9	8.9	10.8	13.2
Trade adjustment assistance	(1)	(1)	.3	.4	1.5
Unemployment insurance, regular benefits	7.2	18.3	15.2	12.2	15.4
Unemployment insurance, extended benefits		3.4	6.0	.3	2.1
Aid to families with dependent children (AFDC) (includes foster care)	6.1	8.3	8.8	8.1	8.5
Supplemental security income (SSI)	[2] 4.4	7.7	7.5	7.3	7.2
Low-income energy assistance	(3)	(3)	(3)	(3)	1.7
Title XX social services programs	1.1	3.3	3.6	3.7	3.0
Title IV-B child welfare program	(3)	.2	.1	.1	.2
Earned Income Tax Credit				1.0	1.3
Total	101.1	171.3	192.8	195.0	222.9

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[1] The expenditures in Table 1 were converted into constant 1981 dollars using the CPI-XI consumer price index.

[2] Adult cash welfare programs that preceded SSI.

[3] No program or outlays less than $50,000,000.

SUMMARY TABLE 3.—AVERAGE NUMBER OF RECIPIENTS IN PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1977, 1979, and 1981

[Numbers in thousands]

Programs	Fiscal year				
	1970	1975	1977	1979	1981
Social Security (OASI) [1]	22,827	26,941	28,400	29,718	30,937
Social Security (DI) [1]	2,488	3,911	4,624	4,869	4,682
Medicare—Part A [2]	20,000	23,700	25,400	26,696	27,969
Medicare—Part B [2]	19,200	23,300	25,000	26,489	27,691
Trade adjustment assistance [3]	([4])	([4])	111	132	281
Unemployment insurance, regular benefits [3]	1,071	2,736	2,274	1,969	2,549
Unemployment insurance, extended benefits [3]	([4])	366	505	54	406
Aid to families with dependent children (AFDC) (includes foster care) [5]	7,426	11,078	11,202	10,319	11,068
Earned income tax credit [6]	([4])	6,215	5,627	7,190	NA
Supplemental security income (SSI)	[7] 2,958	[5] 4,096	3,727	3,700	3,663

[1] Number enrolled at mid-point of fiscal year.

[2] Persons with protection.

[3] Average weekly number.

[4] No program or outlays less than $50,000,000.

[5] Average monthly number.

[6] Calendar year—number of families receiving EITC.

[7] Number at mid-point of fiscal year in adult cash welfare programs that preceded SSI.

Note.—Figures represent an estimate of the number of recipients at a given point during the year—not all recipients during the entire year.

SUMMARY TABLE 4.—AVERAGE ANNUAL (WEEKLY) EXPENDITURE PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1977, 1979, AND 1981

[In dollars]

Programs	Fiscal year				
	1970	1975	1977	1979	1981
Social Security (OASI) (annual)	1,197	2,104	2,588	2,985	3,953
Social Security (DI) (annual)	1,206	2,040	2,509	2,855	3,695
Medicare:					
Part A (annual)	248	448	598	760	1,044
Part B (annual)	114	179	252	332	477
Trade adjustment assistance (weekly) [1]	([2])	([2])	57	71	146
Unemployment insurance, regular benefits (weekly) [1]	46	70	76	85	102
Unemployment insurance, extended benefits (weekly) [1]	([2])	65	72	85	100
Aid to families with dependent children (AFDC) (includes foster care) (annual)	372	464	562	641	736
Earned income tax credit [1,5]	([2])	201	200	287	NA
Supplemental security income (SSI) (annual)	[3] 672	1,145	1,417	1,582	1,958
Low-income energy assistance	([2])	([2])	([2])	([2])	[4] 248

[1] Benefit amount; does not include administrative costs.

[2] No program or outlays less than $50,000,000.

[3] Adult cash welfare programs that preceded SSI.

[4] The average for the low income energy assistance program is per household.

[5] Calendar year average per family.

Note.—Average annual benefits to AFDC recipients are higher than shown because States contribute 46 percent of total benefits. Amounts shown include only the Federal portion.

SUMMARY TABLE 5.—AVERAGE ANNUAL (WEEKLY) EXPENDITURE IN CONSTANT 1981 DOLLARS PER RECIPIENT (ENROLLEE) FOR PROGRAMS UNDER WAYS AND MEANS JURISDICTION FOR FISCAL YEARS 1970, 1975, 1977, 1979, AND 1981

[In dollars]

Programs	Fiscal year				
	1970	1975	1977	1979	1981
Social Security (OASI) (annual)	2,627	3,442	3,672	3,669	3,953
Social Security (DI) (annual)	2,647	3,337	3,560	3,509	3,695
Medicare:					
Part A (annual)	544	733	849	934	1,044
Part B (annual)	250	293	358	408	477
Trade adjustment assistance (weekly)	(1)	(1)	81	87	146
Unemployment insurance, regular benefits (weekly)	101	115	108	104	102
Unemployment insurance, extended benefits (weekly)		106	102	104	100
Aid to families with dependent children (AFDC) (includes foster care) (annual)	817	759	797	788	736
Earned income tax credit	(1)	329	284	353	NA
Supplemental security income (SSI)[2] (annual)	1,475	1,873	2,011	1,944	1,958

[1] No program or outlays less than $50,000,000.

[2] Adult cash welfare programs that preceded SSI.

Note.—The average expenditure (benefit) in table 4 was converted into constant 1981 dollars using the CPI-X1 consumer price index.

SUMMARY TABLE 6.—CBO BASELINE PROJECTIONS FOR PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

[In billions of dollars]

	1982	1983	1984	1985
Social security	158.0	173.6	188.1	203.0
OASI	(139.3)	(153.6)	(167.2)	(182.5)
DI	(18.8)	(20.0)	(20.9)	(21.5)
Medicare	48.9	58.2	66.7	77.9
Hospital insurance	(33.4)	(39.9)	(45.3)	(52.9)
Supplemental medical insurance	(15.5)	(18.2)	(21.4)	(25.0)
Trade adjustment assistance	0.2	0.1	0.1	0.1
Unemployment compensation	24.3	23.2	21.7	17.1
AFDC and child support	8.1	8.3	8.5	9.0
Earned income tax credit	1.3	1.2	1.1	1.1
SSI	8.0	9.1	8.3	9.5
Low income energy assistance	1.8	1.9	2.0	2.3
Social services block grant (title XX)	2.4	2.5	2.5	2.6
Child welfare, foster care and adoption assistance	0.5	0.5	0.6	0.6
Total	253.5	278.6	299.6	323.2

SUMMARY TABLE 7.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL GOVERNMENT OUTLAYS FOR SELECTED YEARS

[In billions of dollars]

	1970	1975	1977	1979	1981	1983[1]
Social security (including medicare)	37.5	79.5	106.6	131.7	182.0	231.9
Unemployment Compensation and trade adjustment assistance	3.3	13.3	15.1	10.3	19.0	23.3
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	5.3	11.9	14.1	16.4	21.9	23.2
Interest	18.3	30.9	38.0	52.6	82.5	127.2
National defense	78.6	85.6	97.5	117.7	159.8	213.6
Veterans' benefits	8.7	16.6	18.0	19.9	23.0	24.7
All other	44.9	88.4	113.4	145.0	169.0	165.0
Total	196.6	326.2	402.7	493.6	657.2	808.9

[1] Based upon CBO baseline current law projections.

SUMMARY TABLE 8.—WAYS AND MEANS PROGRAM OUTLAYS COMPARED WITH TOTAL FEDERAL OUTLAYS IN PERCENTAGE TERMS FOR SELECTED YEARS

	1970	1975	1977	1979	1981	1983[1]
Social security (including medicare)	19.1	24.4	26.5	26.7	27.7	28.7
Unemployment compensation and trade adjustment assistance	1.7	4.1	3.7	2.1	2.9	2.9
Public assistance and social services (AFDC, SSI, title XX, EITC, low income energy assistance and child welfare programs)	2.7	3.6	3.5	3.5	3.3	2.9
Interest	9.3	9.5	9.4	10.7	12.6	15.7
National defense	40.0	26.2	24.2	23.8	24.3	26.4
Veterans' benefits	4.4	5.1	4.5	4.0	3.5	3.1
All other	22.8	27.1	28.2	29.2	25.7	20.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
Ways and Means programs (including interest) as percent of total Federal Government outlays	32.3	41.6	43.2	42.9	46.5	50.1
Ways and Means programs as percent of total Federal Government outlays, less interest	25.9	35.5	37.2	36.1	38.8	40.8

[1] Based on CBO baseline current law projections.

Section 2. The Old-Age and Survivors Insurance Programs (OASI)

The old-age and survivors insurance (OASI) program provides monthly benefits to retired workers and their dependents and to survivors of insured workers. Old-age retirement benefits were provided for by the original Social Security Act of 1935, benefits for dependents and survivors were provided by the 1939 amendments. The Disability Insurance (DI) program, enacted in 1956, is closely related to the old-age and survivors insurance program. (The disability insurance program is discussed in the next section.)

GENERAL

A worker builds protection under the OASI programs through employment which is covered by the social security system. Coverage is generally compulsory. However, employees of State and local governments and nonprofit organizations are covered on a voluntary group basis. Currently, over 90 percent of the nation's workforce is covered either voluntarily or mandatorily.

Contributions are made under the Federal Insurance Contributions Act (FICA, Chapter 21 of the Internal Revenue Code). Contributions are based on wages and earnings up to the annual maximum taxable wage base. The employee contribution is withheld from wage and salary payments to employees and is matched by employers. Self-employed persons pay contributions on their net earnings annually up to the same maximum as employees, but at a rate that is roughly 75 percent of the combined employee-employer tax rate. All OASI tax revenue is credited automatically to the Old-Age and Survivors Insurance trust fund which is the source of payment for: (1) monthly benefits when the worker retires, or dies (including a financial interchange with the Railroad Retirement system) and (2) administrative expenses for the program. No funds are disbursed for any other purpose.

BENEFITS

Summary

Monthly cash benefits under OASI are paid as a matter of earned right to workers who are insured for benefits and to their eligible dependents and survivors. Generally, benefit amounts for benefits paid both to the insured worker and to the insured worker's dependents or survivors are related to the past earnings of the insured worker. An individual may be entitled to benefits as a worker based on his own earnings history and also to benefits as a dependent of another worker. However, the amount of the benefit is adjusted so that, in effect, only the larger of the two benefits is paid.

In December 1981, there were 36 million beneficiaries in either the Old Age and Survivors Insurance or Disability Insurance programs which were in current-payment status. Monthly benefits paid out were $12.26 billion.

The following table summarizes various types of beneficiaries and average benefit amounts:

TABLE 1.—OASDI CASH BENEFITS IN CURRENT-PAYMENT STATUS, DECEMBER 1981

Type of beneficiary	Number (thousands)	Percent of beneficiary population	Average monthly benefit
Total monthly beneficiaries	36,006	100	$340
Retired workers	20,195	56.1	386
Wives and husbands of retired workers	3,031	8.4	195
Children of retired workers	633	1.8	161
Disabled workers	2,777	7.7	413
Wives and husbands of disabled workers	428	1.2	122
Children of disabled workers	1,252	3.5	123
Widowed mothers and fathers	548	1.5	277
Surviving children	2,546	7.1	271
Widows and widowers	4,386	12.2	349
Disabled widow(er)s	122	.3	227
Parents	14	.04	310
Special age—72	76	.2	116

Description of major benefit types

Child's benefit. A monthly benefit is payable to an unmarried child or eligible grandchild of a retired or disabled worker or of a deceased worker who died fully or currently insured if the child or grandchild is: (1) under age 18; (2) a full-time elementary or secondary student under age 19; (3) a full-time postsecondary school student under age 22;[1] or (4) a dependent disabled person aged 18 or over whose disability began before age 22. A grandchild is eligible for benefits on a grandparent's earnings record (or that of the spouse of such worker) if he is dependent on the grandparent for at least half his support and his parents are either disabled or deceased or, where a parent is alive, the grandparent is dead and the child has been adopted by the surviving grandparent.

Lump-sum death benefit. A lump-sum payment is payable on the death of a fully or currently insured worker to the surviving spouse who was living with the deceased worker or was eligible to receive monthly cash survivor benefits upon the worker's death. If there is no eligible spouse, the lump-sum death payment is payable to any child of the deceased worker who is eligible to receive monthly cash benefits as a surviving child. If there is no surviving spouse and no children of the worker eligible for monthly benefits, then no one is eligible to receive the lump-sum death payment. The maximum amount is $255.

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[1] This benefit will be eliminated by May 1985. For details of the method in which the student benefit is being phased out see Appendix C.

Minimum benefit. The minimum benefit is the smallest benefit (before actuarial reduction or earnings test reduction) payable to a worker or his survivors/dependents. In 1977, the minimum benefit was frozen at $122 per month for all workers who became disabled after 1978 and all survivors of workers who died after 1978. The new frozen minimum of $122 was to have applied to all retired workers reaching age 62 in 1984 or later. However, the 97th Congress eliminated the minimum benefit for all persons becoming eligible for benefits in January 1982 or later (except for certain members of religious orders who have taken a vow of poverty who are exempt from the new law for ten years). These persons will have their benefits computed under the regular benefit computation rules. Persons already eligible for benefits prior to January 1, 1982 will be able to continue receiving the minimum benefit.

Mother's or father's benefit. A monthly benefit is payable to a widow (widower) or surviving divorced mother (father) if: (1) the deceased worker on whose account the benefit is paid was fully or currently insured at time of death and (2) the widow (widower) or surviving divorced mother (father) has one or more entitled children of the worker in his care. These payments continue until the youngest child being cared for reaches age 16.

Parent's benefit. This is the monthly benefit payable to a dependent parent, age 62 or over, of a deceased fully insured worker.

Retired-worker (old-age) benefit. This is the monthly benefit payable to a retired worker aged 62 or over who is fully insured or to a person entitled under the transitional insured-status provision in the law. Retired-worker benefit data do not include "special age-72" benefits unless so indicated.

"Special age-72" benefit. This is the monthly benefit payable to certain persons born before January 2, 1900, who do not have sufficient quarters of coverage to qualify for a retired-worker benefit under either the full or the transitional insured-status provisions. The benefit is payable only for months in which the individual is a resident of the 50 States or the District of Columbia and receives no public assistance money payments or SSI payments. It is reduced by the amount of any government pension (except workers' compensation and veterans' service-connected compensation) that the individual is receiving or is eligible to receive. When husband and wife are both eligible for these benefits, the amount payable to the wife is equal to half the amount payable to the husband.

Spouse's benefit. This is the monthly benefit payable to a spouse or divorced spouse of a retired or disabled worker under one of the following conditions: (1) spouse is aged 62 or older or is caring for one or more entitled children of the worker who have not achieved age 16; (2) divorced spouse is aged 62 or older, is not married, and the marriage to the worker had lasted 10 years before the divorce became final; or (3) wife was born before January 2, 1897, and husband is transitionally insured.

Widow's or Widower's Benefit. These are monthly benefits payable to: (1) a widow(er) or surviving divorced spouse of a worker fully insured at the time of death if he or she is unmarried, or remarriage occurred after age 60; and (a) is aged 60 or older or (b) aged 50-59 and has been disabled throughout a waiting period of 5 consecutive calendar months that began no later than 7 years after the month the worker died or after the end of her entitlement to benefits as a widowed mother; or (2) a widow of a transitionally insured worker if she was born before January 8, 1897.

BENEFIT ELIGIBILITY: INSURED STATUS

Benefits can only be paid to workers, their dependents or survivors if the worker is "insured" for these benefits. Insured status is measured in terms of "quarters of coverage."

Prior to 1978, one quarter of coverage was earned for each calendar quarter in which a worker was paid $50 or more in wages for covered employment (except for agricultural labor). Since the beginning of 1978 the crediting of quarters of coverage has been on an annual rather than a quarterly basis. In 1978, a worker earned one quarter of coverage, up to a total of four, for each $250 of annual earnings reported from covered employment or self-employment. The amount of annual earnings is subject to annual automatic increases, effective in January, in proportion to increases in average wages in the economy.

TABLE 2.—AMOUNT OF COVERED EARNINGS NEEDED TO EARN ONE QUARTER OF COVERAGE SINCE 1977

1978	$250
1979	260
1980	290
1981	310
1982	340
1983	[1] 370
1984	[1] 410
1985	[1] 450
1986	[1] 490

[1] 1981 OASDI Trustee's Report (II-B projection).

For the purpose of the OASI program, there are two types of insured status: "fully insured" and "currently insured." Most workers are fully insured for benefits for themselves and for their families if they have one quarter of coverage (earned at any time after 1936) for every four quarters elapsing after 1950, or the year of reaching age 21, if later, up to the year in which they reach age 62. Fully insured status is required for eligibility for all types of benefits except survivor benefits. A person must have at least six quarters of coverage to be fully insured. A person with forty quarters of coverage is fully insured for life.

Workers are currently insured if they have six quarters of coverage during the thirteen calendar quarters ending with the quarter in which they died. Currently insured status by itself provides that the worker's family members are eligible for child's, mother's, father's and lump-sum survivor benefits.

Table 3 indicates the type of insured status which is required for the various monthly benefit categories.

TABLE 3.—INSURED STATUS REQUIREMENTS FOR VARIOUS MAJOR BENEFIT CATEGORIES

Type of benefit	Basic eligibility requirements
Retirement	Fully insured.
Dependents	
Wives, husbands	Worker entitled.
Mothers, fathers, children, grandchildren	Worker entitled.
Survivors	
Dependent parents—age 62	Worker fully insured.
Widows, widowers	Worker fully insured.
Mothers, fathers, children	Worker fully or currently insured.
Lump-sum death	Worker fully or currently insured.

Benefit Computation

The amount of a monthly benefit award is determined by first computing an insured worker's average monthly wage (AMW) or—in the case of most workers who attain age 62, become disabled, or die after 1978—average indexed monthly earnings (AIME). The AMW is used in computing benefits under the old (coupled) benefit formula, and the AIME is used in computing benefits under the new (decoupled) benefit formula enacted in 1977. The AMW or AIME is linked (by a table in the law or by a formula, respectively) to the monthly retirement benefit payable at age 65—called the primary insurance amount (PIA). Benefits for dependents and survivors are calculated as a percentage of the insured worker's PIA. The calculated amounts may be subject to minimum levels, and all benefits are subject to maximum limits which are stated in the law. Benefits payable to workers, spouses, widows and widowers who choose to retire before age 65 are subject to an actuarial reduction. Benefits payable to workers, spouses, widows and widowers who choose to retire after age 65 are subject to increase through the delayed retirement credit.

Average indexed monthly earnings (AIME)

The AIME is a dollar amount which represents the average monthly earnings, adjusted for the growth in average wages in the economy, which was received by the worker during his covered employment. The AIME creates an earnings record that reflects the value of the individual's earnings relative to national average earnings in the indexing year. The indexing year is the second year before the year in which the worker attains age 62, or dies. Earnings after the indexing year are counted at their nominal value.

There are four steps in the calculation of the AIME: (1) indexing the worker's earnings for each year after 1950 by dividing the worker's posted earnings for the year being indexed by the average wages of all workers in that same year and multiplying this result by the average earnings in the indexing year, (2) determining the number of computation years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year the worker attains age 62, becomes disabled, or dies, minus dropout years, generally 5 (minimum number of computation years is 2); (3) selecting the actual computation years, based on highest earnings, from any year after 1950; and (4) dividing the sum of earnings in the computation years by the total number of months in the computation years.

TABLE 4.—AVERAGE EARNINGS FOR EACH YEAR SINCE 1950

1951	$2,799.16	1966	$4,938.36
1952	2,973.32	1967	5,213.44
1953	3,139.44	1968	5,571.76
1954	3,155.64	1969	5,893.76
1955	3,301.44	1970	6,186.24
1956	3,532.36	1971	6,497.08
1957	3,641.72	1972	7,133.80
1958	3,673.80	1973	7,580.16
1959	3,855.80	1974	8,030.76
1960	4,007.12	1975	8,630.92
1961	4,086.76	1976	9,226.48
1962	4,291.40	1977	9,779.44
1963	4,396.64	1978	10,556.03
1964	4,576.32	1979	11,479.46
1965	4,658.72	1980	12,513.46
		1981	[1] 13,728.00

[1] Estimated. 1981 OASI Trustee's Report, Assumption II-B.

To illustrate the computation of a worker's AIME, assume a worker retired at age 62 in 1982 and had earned $4,000 in 1960, the actual amount earned in the year being indexed ($4,000 in 1960) would be divided by the average amount earned in that year ($4,007.12) and the result multiplied by the average wage in the indexing year ($12,513.46 in 1980).

$$4000.00/4007.12 \times 12{,}513.46 = \$12{,}488.43$$

Thus, while the worker's actual earnings for 1960 were $4,000, his relative or indexed earnings would be $12,488.43.

The procedure would be followed in adjusting the worker's earnings for each year since 1951 up to 1980 (the second year prior to attaining age 62). These "indexed" earnings would then be averaged over the time the worker could reasonably be expected to have worked in covered employment, (i.e. the number of computation years). The final average would be computed on a monthly basis. The result, known as average indexed monthly earnings (AIME), is applied to the primary benefit formula.

Average monthly wage (AMW)

The AMW, which is used in computing benefits under the old (coupled) benefit formula, is computed by: (1) determining the number of computation years—the number of years after 1950 (or the year of attainment of age 21, if later) and up to the year the worker attains age 62 (age 65 for men born before Jauary 2, 1911) and the later of age 62 or the year 1975 for men born after January 1, 1911, onset of disability or death, minus dropout years, generally 5 (minimum number of computation years is 2); (2) selecting the actual computation years, based on highest non-indexed earnings, for any year after 1950; and (3) dividing the sum of non-indexed earnings in the computation years by the total number of months in the computation years.

Primary insurance amount (PIA)

The PIA is the monthly benefit amount which would be payable to a retired worker who begins to receive benefits at age 65 and is the amount which is used as a base for computing all benefits which are payable on the basis of that worker's earnings record.

The method of determining the PIA depends on whether an AIME or an AMW was computed for the worker. (This, of course, is determined on the basis of the worker's date of birth.) If an AMW has been computed for the worker, the PIA is determined through reference to wage tables which are updated and published annually.

Under the transitional guarantee provision of the 1977 amendments (which is applicable only to workers who attain age 62 in 1979-83) if the PIA computed under the special guarantee is higher than under the AIME method, benefits are determined on the basis of the frozen 1978 benefit table.

In cases where an AIME has been computed, the PIA is determined by applying the "Primary Benefit Formula" to the AIME. For workers retiring in 1982, the benefit formula provides that the PIA will be the sum of:

90 percent of the first $230 of AIME;
32 percent of AIME from $231 through $1,388;
15 percent of AIME over $1,388.

The dollar amounts at which these percentages change are called "bend points". These points are adjusted annually to reflect wage increases. The index used for this purpose is a measure of the change in average wages in the economy from year to year.

To illustrate the operation of the benefit formula, if a worker's AIME is $1,425, his PIA will be $582.79 ($0.9\times230=207.00$, plus $0.32\times1,157=370.24$, plus $0.15\times37=5.55$).

BENEFIT AMOUNTS

The PIA is the dollar amount which is payable to a worker who begins to receive benefits at age 65. Other benefits amounts are based on this amount. The following table lists major types of benefits with the percentage of the insured worker's PIA which is paid.

TABLE 5.—PERCENTAGE OF PRIMARY INSURANCE AMOUNT (PIA) PAID FOR VARIOUS MONTHLY BENEFIT CATEGORIES

Type of monthly benefit	Percent of PIA
Retirement:	
Age 70	115.0
Age 68	109.0
Age 65	100.0
Age 62	80.0
Dependents: [1]	
Wives, husbands—age 65	50.0
Mothers, fathers, children, grandchildren	50.0
Survivors: [1]	
Widows, widowers—age 65 [2]	100.0
Dependent parents—age 62	82.5
Widows, widowers, disabled—age 50	50.0
Mothers, fathers, children	75.0

[1] Subject to maximum family benefit limitation.

[2] Subject to general limitation that survivor cannot get a higher benefit than deceased worker would be getting if alive.

BENEFIT REDUCTION AND INCREASE

Social security benefits may be reduced, withheld or increased for several reasons, chiefly on account of early retirement, delayed retirement and, on account of earnings in excess of the exempt amount provided in the law ($6,000 in 1982 for beneficiaries between age 65 and 72). In addition, there is an overall limit on the total amount of benefits which can be paid at one time on the basis of any one earnings record.

Actuarial reduction. This is the reduction in monthly benefit amount payable: (a) on entitlement at ages 62–64 if the beneficiary is a retired worker, a spouse of a retired or disabled worker (with entitlement not dependent on having a child beneficiary in their care), or a divorced spouse; (b) on entitlement at age 60–64 if the beneficiary is a widow, widower, or a surviving divorced spouse; or (c) on entitlement, in case of disability, at ages 50–59 if the beneficiary is a widow, widower, or surviving divorced spouse.

At the time of award, the following reductions in benefit amount are made for:

A retired-worker beneficiary—$\frac{5}{9}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 20 percent);

A wife or husband beneficiary—$\frac{25}{36}$ of 1 percent for each month of entitlement before age 65 (maximum reduction of 25 percent);

A widow including surviving divorced spouse—$\frac{19}{40}$ of 1 percent for each month of entitlement between age 60 (maximum reduction of 28.5 percent). Disabled widow(ers) are reduced an additional $\frac{43}{240}$ of 1 percent for each month of entitlement before age 60. (Maximum reduction is 50 percent at age 50.)

The benefit continues to be paid at a reduced rate even after age 65, except that the reduced rate is refigured at age 65 for all beneficiaries and also at age 62 for a widow, widower, and a surviving divorced wife to omit months for which the reduced benefit was not paid and to take into account any additional earnings. Data on benefit awards to retired workers for 1977 indicates that 67 percent of all such awards were actuarially reduced benefits (62 percent for men, 74 percent for women).

Delayed retirement credit. A credit due a worker for delaying retirement after attaining age 65 for each month the worker: (1) was fully insured, (2) had attained age 65 but was not yet age 72, and (3) did not receive benefits because the worker had not filed an application or was working. Each monthly credit serves as a basis for increasing the monthly benefit (unless the benefit is based on a special minimum PIA) by 1/12 of 1 percent for workers who attained age 62 before 1979 and by 1/4 of 1 percent for workers attaining age 62 after 1978. The increase is applicable to the worker's monthly benefit amount but not to his PIA. Hence, auxiliary benefits are generally not affected. The exception is that a surviving spouse (including divorced) receiving widow(er)'s benefits is entitled, for months after May 1978, to the same increase that had been applied to the benefit of the deceased worker or for which the worker was eligible for at the time of death.

Maximum family benefit. The maximum monthly amount that can be paid on a worker's earnings record varies with his PIA. For benefits payable on the earnings records of retired and deceased workers, the maximum varies between 150 and 188 percent of the PIA. No more than the established maximum can be paid to a family regardless of the number of beneficiaries entitled on that earnings record. The family maximum is computed by adding fixed percentages of dollar amounts which are part of the PIA:

150 percent of the first $294 of PIA, plus;
272 percent of PIA from $294 through $425, plus;
134 percent of PIA from $425 through $554, plus;
175 percent of PIA over $554.

The dollar amounts in this benefit formula (i.e. the "bend points") are adjusted annually by the same index used to update the bend points in the primary benefit formula.

Whenever the total of the individual monthly benefits payable to all the beneficiaries entitled on one earnings record exceeds the maximum, each dependent's or survivor's benefit is proportionately reduced to bring the total within the maximum.

In computing the total of the individual monthly benefits for entitlements based on a single earnings record, a benefit payable to a divorced spouse or to a surviving divorced wife is not included.

Withholding. This is the suspension of benefit payments until the conditions causing deductions are known to have ended. Reasons for withholding benefits include: (1) earnings by a beneficiary (or any dependent drawing benefits on his earnings record) under age 72 from either covered or non-covered employment which exceeds the annual allowable amount (this is known as the "retirement test"); (2) failure of a wife under age 62 or mother or father beneficiary to have an entitled child in her care; (3) for special age-72 beneficiaries, receipt of public assistance or supplemental security income (SSI) payments or offsetting government pensions; (4) the payee is not determined; and (5) administrative reasons.

Under the "retirement test" the maximum allowable annual earnings without benefits being withheld is $6,000 in 1982 for beneficiaries aged 65 and over ($4,440 for beneficiaries under age 65). This amount is known as the "exempt amount." Benefits are reduced by $1 in benefits for every $2 in annual earnings above the exempt amount. The exempt amount is indexed to rises in the average wage in the economy. Each year that an automatic benefit increase occurs, the exempt sum of earnings is adjusted for wage increases, effective January 1. If average wages in the economy fall in a particular year, the exempt amount would not be lowered. The law provides that it may not be reduced. According to the 1981 Social Security Trustee's Report,[2] the annual "exempt amounts" for the next 4 calendar years is as follows:

	Under age 65	Age 65 and over
1983	4,920	6,600
1984	5,400	7,200
1985	5,880	7,920
1986	6,360	8,640

The age at which the retirement test no longer applies is scheduled to go to age 70 in 1983.

Some of the administrative reasons for withholding benefits are: (a) refusal of beneficiary to accept checks for personal reasons; (b) beneficiary's residence in certain foreign countries; and (c) under certain conditions, an alien beneficiary's residence outside the United States for more than 6 full consecutive calendar months.

Suspension of monthly benefit payments does not affect eligibility for hospital insurance benefits.

AUTOMATIC BENEFIT ADJUSTMENTS

If the cost-of-living as measured by the Bureau of Labor Statistics' Consumer Price Index (CPI) rises by 3 percent or more over approximately a 1-year interval, a benefit increase for social security and SSI recipients is triggered. The change in the CPI is measured from the first calendar quarter of one year to the first calendar quarter of the next year. If it shows a 3 percent or more increase, a benefit increase of equivalent amount will be due for the month of June following the end of the measuring period. The CPI for the two calendar quarters used to measure the change represents the straight average of the CPI for each of the 3 months in both quarters. The following example, which uses the latest benefit increase computation, illustrates how it is done:

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[2] Intermediate (II-B) assumptions.

1. The CPI for the first quarter of 1980 was 236.6. This was the arithmetical average of the CPI for January, February and March, 1980.

Month in 1980:	CPI
January	233.3
February	236.5
March	239.9
Total	709.7

The average CPI for the 1st quarter of 1980 is thus:

709.7/3=236.6

2. The CPI for the first quarter of 1981 was 263.1. This was the arithmetical average of the CPI for January, February and March, 1981.

Month in 1981:	
January	260.7
February	263.5
March	265.2
Total	789.4

The average CPI for the 1st quarter of 1981 is thus:

789.4/3=263.1

3. The percentage increase in the CPI from the first quarter of 1980 to the first quarter of 1981 is:

263.1-236.6/236.6=11.2 percent

The benefit increase is rounded to the nearest 0.1 percent. It applies to all types of beneficiaries.

The Secretary of Health and Human Services (HHS) is required by law to publish the amount of the increase in the Federal Register within 45 days after the close of the measuring period (which typically means by May 15th of each year). The change in the CPI for March of each year (the closing month of the measuring period) is announced by the Bureau of Labor Statistics somewhere between the 20th and 25th of April. The benefit increase first appears in July benefit checks, i.e., 3 months after the close of the measuring period.

CHARACTERISTICS OF BENEFICIARY POPULATION

Tables 6 through 8 provide detailed information on the numbers of various OASI beneficiaries, the average amount of monthly benefits by type of beneficiary and beneficiary population by age group and type of benefit for 1970, 1975, 1977, 1979, and 1981. More detailed information is shown in table 8 for calendar year 1979.

TABLE 6.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1977, 1979 AND 1981

Period, payment status, and number/average	Retired workers and their dependents		
	Retired workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	13,349	2,500	546
Average payment	$118	$61	$45
New awards:			
Number (in thousands)	1,338	339	183
Average payment	$124	$58	$45
1975:			
Current:			
Number (in thousands)	16,588	2,671	643
Average payment	$207	$105	$77
New awards:			
Number (in thousands)	1,506	351	226
Average payment	$206	$96	$82
1977:			
Current:			
Number (in thousands)	17,833	2,964	678
Average payment	$243	$123	$95
New awards:			
Number (in thousands)	1,594	391	320
Average payment	$255	$116	$120
1979:			
Current:			
Number (in thousands)	18,970	2,991	656
Average payment	$294	$148	$120
New awards:			
Number (in thousands)	1,597	358	218
Average payment	$317	$146	$148
1981:			
Current:			
Number (in thousands)	20,195	3,031	633
Average payment	$386	$195	$161
New awards:			
Number (in thousands)	1,600	341	274
Average payment	$402	$189	$193

TABLE 7.—OASI CASH BENEFITS: AVERAGE AMOUNT OF MONTHLY BENEFITS BY TYPE AND NUMBER OF BENEFICIARIES, CALENDAR YEARS 1970, 1975, 1977, 1979, and 1981

Period, payment status, and number/average	Survivors of deceased workers			
	Children	Widowed mothers and fathers	Widows and widowers	Parents
1970:				
Current:				
Number (in thousands)	2,688	523	3,227	29
Average payment	$82	$87	$102	$103
New awards:				
Number (in thousands)	592	112	363	2
Average payment	$78	$87	$106	$116
1975:				
Current:				
Number (in thousands)	2,919	582	3,889	21
Average payment	$139	$147	$192	$172
New awards:				
Number (in thousands)	591	116	354	1
Average payment	$137	$150	$193	$197
1977:				
Current:				
Number (in thousands)	2,875	582	3,993	19
Average payment	$166	$174	$224	$198
New awards:				
Number (in thousands)	528	119	394	1
Average payment	$171	$187	$225	$246
1979:				
Current:				
Number (in thousands)	2,707	574	4,193	16
Average payment	$206	$213	$270	$239
New awards:				
Number (in thousands)	504	110	428	1
Average payment	$205	$214	$273	$288
1981:				
Current:				
Number (in thousands)	2,546	548	4,386	14
Average payment	$271	$277	$349	$310
New awards:				
Number (in thousands)	474	100	467	1
Average payment	$264	$262	$343	$347

TABLE 8.—NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1979

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Retired workers:				
Men:				
62 to 64	937	2.7	$312.40	3.2
65 to 69	3,296	9.5	344.40	12.6
70 and over	5,958	17.1	319.30	21.1
Total, retired men	10,192	29.3	326.80	36.9
Women:				
62 to 64	984	2.8	210.20	2.3
65 to 69	2,591	7.4	258.20	7.4
70 and over	5,202	14.9	264.50	15.3
Total, retired women	8,777	25.2	256.50	25.0
Total, retired workers	18,969	54.5	294.30	62.0
Disabled workers:				
Men:				
Under 20	1	(1)	202.40	(1)
20 to 49	549	1.6	352.10	2.1
50 to 59	751	2.2	347.90	2.9
60 to 61	239	0.7	357.40	0.9
62 to 64	399	1.2	359.70	1.6
Total, disabled men	1,939	5.6	352.60	7.6
Women:				
Under 20	(2)	(1)	189.80	(1)
20 to 49	230	0.7	280.50	0.7
50 to 59	377	1.1	247.90	1.0
60 to 61	123	0.4	253.30	0.3
62 to 64	201	0.6	255.70	0.6
Total, disabled women	931	2.7	258.30	2.7
Total, disabled workers	2,870	8.2	322.00	10.3
Wives of retired workers:				
With entitled children:				
Under 35	6	(1)	74.10	(1)
35 to 44	24	0.1	80.40	0.02
45 to 54	71	0.2	97.20	0.1
55 to 64	88	0.3	115.70	0.1
Total, with entitled children	189	0.5	102.90	0.2
Without entitled children: 62 and over	2,763	7.9	151.90	4.7
Total, wives of retired workers	2,952	8.5	148.80	4.9

TABLE 8. NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1979—Continued

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
Wives of disabled workers:				
With entitled children:				
Under 35	79	0.2	85.70	0.08
35 to 44	136	0.4	85.40	0.1
45 to 54	141	0.4	100.20	0.2
55 to 64	41	0.1	115.30	0.05
Total, with entitled children	396	1.1	93.80	0.4
Without entitled children: 62 and over	77	0.2	109.40	0.09
Total, wives of disabled workers	473	1.4	96.30	0.5
Children				
Children of retired workers:				
0 to 6	22	(1)	75.10	(1)
7 to 10	46	0.1	81.70	0.04
11 to 17	298	0.9	95.30	0.3
18 to 21 (students)	149	0.4	157.20	0.3
Disabled children 18 and over	137	0.4	137.10	0.2
Total, children of retired workers	652	1.9	119.20	0.8
Children of deceased workers:				
0 to 6	159	0.5	224.90	0.4
7 to 10	343	1.0	207.90	0.8
11 to 17	1,459	4.2	197.70	3.2
18 to 21 (students)	484	1.4	226.60	1.2
Disabled children 18 and over	266	0.8	195.90	0.6
Total, children of deceased workers	2,711	7.8	205.60	6.2
Children of disabled workers:				
0 to 6	162	0.5	87.80	0.2
7 to 10	241	0.7	85.90	0.2
11 to 17	836	2.4	89.40	0.8
18 to 21 (student)	160	0.5	129.90	0.2
Disabled children 18 and over	32	0.1	117.70	0.04
Total, children of disabled workers	1,431	4.1	95.20	1.5
Total, children	4,794	13.8	160.90	8.5
Widowed mothers and fathers:				
Under 20	1	(1)	226.00	(1)
20 to 29	48	0.1	250.50	0.13
30 to 39	0.33143	0.4	207.50	0.33
40 to 49	198	0.6	201.60	0.44

TABLE 8. NUMBER OF PERSONS RECEIVING VARIOUS TYPES OF OASDI BENEFITS BY AGE, AND AVERAGE MONTHLY BENEFIT AMOUNTS, DECEMBER 1979—Continued

	Number (thousands)	Percent of total beneficiaries	Average monthly benefit	Percent of total benefits
50 to 59	161	0.5	218.00	0.38
60 to 61	11	(1)	223.60	0.02
62 and over	11	(1)	221.30	0.03
Total, widowed mothers and fathers	574	1.6	212.60	1.4
Widows (nondisabled):				
60	64	0.2	247.90	0.18
61	94	0.3	247.30	0.3
62	117	0.3	252.30	0.3
63	130	0.4	253.50	0.4
64	140	0.4	254.90	0.4
65 to 69	769	2.2	269.80	2.3
70 and over	2,858	8.2	273.20	8.7
Total, widows	4,173	12.0	269.80	12.5
Parents:				
62 to 69	1	(1)	260.30	(1)
70 to 79	5	(1)	235.50	0.01
80 to 89	6	(1)	234.00	0.02
90 and over	3	(1)	43.40	(1)
Total, parents	16	(1)	238.70	0.03
Total beneficiaries	34,821	100.0	....	100.0

[1] Less than 0.1 percent.
[2] Less than 1,000.

Note.—Columns may not add due to rounding.

The previous three tables have shown the number and average benefit classified by type of beneficiary. Many individuals receive benefits on their own record plus other benefits based upon earning of their spouse or former spouse. Table 9 presents for male beneficiaries the same information for December 1981, somewhat differently. Table 10 separates by type of female beneficiary the amount of benefits received on her own earnings record versus someone else's. For example, 8.4 million female beneficiaries over age 65 are insured and receive an average benefit of $342.77. Of this, approximately $303.50 is earned on the basis of their own earnings while $39.20 is received as a dependent spouse. Some 6.2 million female beneficiaries over age 65 receive an average benefit of $292.95. These benefits were all earned by a spouse or former spouse. Most of these benefits represent a survivor benefit.

TABLE 9.—OASDI MONTHLY BENEFITS RECEIVED BY MALES (OTHER THAN AS DEPENDENT CHILD OR PARENT) IN DECEMBER 1981

	Total OASDI benefit	Old-age benefit based on own earnings record	Disability benefit based on own earnings record	Old-age benefit received as dependent spouse [1]	Survivor benefit received as dependent spouse [2]	Disability benefit received as dependent spouse [3]
Age 65 and over (insured on own earnings record):						
Number (in thousands)	9,699	9,699				
Average [4]	434.15	434.15				
Average [5]	434.15	434.15				
Age 65 and over (not insured):						
Number (in thousands)	54			38	15	2
Average [4]	177.71			102.58	71.89	3.24
Average [5]	177.71			146.62	266.54	105.60
Age 62–64 (insured on own earnings record):						
Number (in thousands)	1,462	1,068	394			
Average [4]	420.49	294.37	126.12			
Average [5]	420.49	402.97	467.97			
Age 62–64 (not insured):						
Number (in thousands)	7			1	6	(6)
Average [4]	248.68			13.66	231.57	3.45
Average [5]	248.68			114.80	277.75	73.02
Age less than 62:						
Number (in thousands)	1,497		1,476		21	
Average [4]	446.65		444.33		2.33	
Average [5]	446.65		450.56		168.25	

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[1] Approximately 2 percent of the numbers in columns 4 and 5 of table 10 are male beneficiaries that cannot be separated out.

[2] Some of the beneficiaries indicated as not insured are actually fully insured but are not receiving an old-age benefit.

[3] Some of the beneficiaries indicated as not insured are actually fully insured and are receiving an old-age benefit.

[4] This average is calculated using the number in column 1 as the denominator.

[5] This average is calculated using the number actually receiving this benefit as the denominator.

[6] Less than 500.

TABLE 10.—OASDI MONTHLY BENEFITS RECEIVED BY FEMALES (OTHER THAN AS DEPENDENT CHILD OR PARENT) IN DECEMBER 1981

	Total OASDI benefit	Old-age benefit based on own earnings record	Disability benefit based on own earnings record	Old-age benefit received as dependent spouse [1]	Survivor benefit received as dependent spouse [1] [2]	Disability benefit received as dependent spouse [3]
Age 65 and over (insured on own earnings record):						
Number (in thousands)	8,382	8,382		829	1,661	
Average [4]	342.77	303.50		6.72	32.48	
Average [5]	342.77	303.50		67.93	163.85	
Age 65 and over (not insured):						
Number (in thousands)	6,192			2,376	3,782	35
Average [4]	292.95			76.85	215.33	.77
Average [5]	292.95			200.33	352.57	136.79
Age 62–64 (insured on own earnings record):						
Number (in thousands)	1,248	1,047	201	239	29	
Average [4]	258.82	206.26	52.56	13.62	5.06	
Average [5]	258.82	245.89	326.09	71.04	221.21	
Age 62–64 (not insured):						
Number (in thousands	945			451	451	43
Average [4]	253.08			91.53	155.17	6.38
Average [5]	253.08			191.89	325.10	139.53
Age less than 62:						
Number (in thousands)	2,000		705	166	781	348
Average [4]	258.86		115.98	11.11	111.23	20.54
Average [5]	258.86		329.00	133.98	284.85	118.00

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[1] Approximately 2 percent of these numbers are male beneficiaries that cannot be separated out.

[2] Some of the beneficiaries indicated as not insured are actually fully insured but are not receiving an old-age benefit.

[3] Some of the beneficiaries indicated as not insured are actually fully insured and are receiving an old-age benefit.

[4] This average is calculated using the number in column 1 as the denominator.

[5] This average is calculated using the number actually receiving this benefit as the denominator.

TABLE 11.—1982 SUMMARY SOCIAL SECURITY INFORMATION

Tax Rate:	
Employee and employer each	6.70 percent (5.40 percent—OASDI, 1.30 percent—HI).
Self-employed	9.35 percent (8.05 percent—OASDI, 1.30 percent—HI).
Wage Base	$32,400
Quarter of Coverage	$340 equals 1 QC (minimum of $400 net earnings from self-employment needed to earn QC's based on self-employment income)
Retirement Test:	
Age 65 and over	$6,000 annual, $500.00 monthly.
Under age 65	$4,440 annual, $370.00 monthly.

Bend Points:

PIA	Maximum Family Benefit
90 percent of first $230 of AIME, plus 32 percent of AIME over $230 thru $1,388, plus 15 percent of AIME over $1,388.	150 percent of first $294 of PIA, plus 272 percent of PIA over $294 thru $425, plus 134 percent of PIA over $425 thru $554, plus 175 percent of PIA over $554.

Benefit Examples:

Retired Worker Age 65 in 1982—January 1982 PIA		Long-Range Constant Replacement Rate Under Decoupled System	
Fed. minimum wage earner	355.30	Fed. minimum wage earner	54 percent
Average earner	535.40	Average earner	42 percent
Maximum earner	679.30	Maximum earner	28 percent

Average Earnings Level: 1981 est—$13,794 [1], 1982 est—$14,116 [1]

Federal Minimum Wage Level: 1981—$6,968, 1982—$6,968

Poverty level	1980 (actual) [2]	1981 (preliminary) [2]	1982 (projected)
Aged individual	$3,941	$4,350	([3])
Couple, aged head	4,954	5,470	([3])
Family of four	8,385	9,260	([3])

[1] 1981 Trustees' Report—alternative II-B assumptions.

[2] Office of Research and Statistics.

[3] Not yet available.

Section 3. Disability Insurance Program

The disability insurance (DI) program provides monthly cash benefits for workers under age 65 and their dependents. Benefits for the disabled were provided to disabled workers age 50 or older by the 1956 Social Security Amendments; benefits for the dependents of disabled workers were provided by the 1958 Social Security Amendments. Benefits to disabled workers under age 50 were provided by the 1960 amendments.

GENERAL

Many provisions of the disability insurance (DI) program are identical to those of the old age and survivors insurance (OASI) program. For example, all workers who are covered by OASI are also covered by DI. Contributions are made under the same provision of the Internal Revenue Code and are made on the same wage base.

A portion of the OASDI taxes is allocated to the Disability Insurance Trust Fund which is the source of payment for monthly benefits to the disabled worker and their dependents and for administrative expenses of the program.

The most significant differences between the two programs are in the provisions for insured status and in the administration of the program. The DI program involves both Federal and State government. These differences are primarily a result of the different nature of the event insured. The OASI program insures a worker, his dependents and survivors against loss of income due to the worker's retirement or death. The DI program insures against the loss of income due to the worker's physical or mental disability.

BENEFITS

Summary

Monthly cash benefits are paid and computed generally on the same basis as in the OASI program. Benefit amounts are related to the past earnings of the insured worker.

In October 1981 there were 4.5 million DI beneficiaries in current-payment status. The total monthly benefits paid out were $1.37 billion. The following table summarizes various types of beneficiaries of the DI program and average benefit amounts.

TABLE 1.—DISABILITY CASH BENEFITS: NUMBER IN CURRENT PAYMENT STATUS AND AVERAGE BENEFIT AMOUNT IN DECEMBER, AND NUMBER OF BENEFITS AWARDED AND AVERAGE BENEFIT AMOUNT DURING THE YEAR, CALENDAR YEARS 1970, 1975, 1977, 1979 AND 1981

Period, payment status, and number/average	Disabled workers and their dependents		
	Disabled workers	Spouses	Children
1970:			
Current:			
Number (in thousands)	1,493	451	889
Average payment	$131	$43	$39
New awards:			
Number (in thousands)	350	96	317
Average payment	$140	$40	$37
1975:			
Current:			
Number (in thousands)	2,489	453	1,411
Average payment	$226	$67	$62
New awards:			
Number (in thousands)	592	149	515
Average payment	$234	$68	$63
1977:			
Current:			
Number (in thousands)	2,834	494	1,525
Average payment	$265	$79	$75
New awards:			
Number (in thousands)	569	152	518
Average payment	$284	$82	$79
1979:			
Current:			
Number (in thousands)	2,870	475	1,431
Average payment	$322	$96	$95
New awards:			
Number (in thousands)	409	113	399
Average payment	$347	$100	$101
1981:			
Current:			
Number (in thousands)	2,777	428	1,252
Average payment	$413	$122	$123
New awards:			
Number (in thousands)	345	96	346
Average payment	$429	$114	$120

Description of major benefit types

Disabled-worker (disability insurance) benefit.—A monthly benefit payable to a disabled worker under age 65 insured for disability.

Spouses' benefit.—Monthly benefit payable to a wife or divorced wife of a disabled worker under one of the following conditions: (1) wife is aged 62 or older or has 1 or more entitled children of the worker under age 16 in her care; or (2) divorced wife is aged 62 or older and her marriage to worker has lasted 10 years (20 years for benefits paid or applications filed before January 1979) before divorce became final.

Child's benefit.—A monthly benefit payable to an unmarried child or eligible grandchild of a disabled worker.

Disabled child's benefit.—A monthly benefit payable to a disabled person aged 18 or over—a dependent son or daughter or eligible grandson or granddaughter of a retired, deceased, or disabled worker—whose disability began before age 22.

Definition of disability

Generally, disability is defined as an inability to engage in any substantial gainful activity by reason of a physical or mental impairment. The impairment must be medically determinable and expected to last for not less than 12 months or to result in death. A person (other than a disabled widow or widower) may be determined to be disabled only if due to this impairment he is unable to engage in any kind of substantial gainful work, considering his age, education, and work experience, which exists in the national economy even though such work does not exist in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

There is a special definition and eligibility requirements for persons who are blind.

A widow (or widower) can be determined to be disabled only if a physical or mental impairment exists of such a level of severity that makes it impossible to perform any gainful work (rather than substantial gainful work).

Waiting period

An initial 5-month waiting period is required before disability insurance benefits will be paid. Benefits are payable for the 6th month. However, benefits may be paid for the 1st full month of disability to a worker who becomes disabled within 60 months (for a disabled widow or widower the period is 84 months) after termination of disability insurance benefits after an earlier period of disability.

Insured status

Workers are *insured for disability* if they are fully insured and, except for persons who are blind or disabled before age 31, have a total of at least 20 quarters of coverage during the 40-quarter period ending with the quarter in which the worker became disabled. Workers who are disabled before age 31 must have total quarters of coverage equal to half the calendar quarters which have elapsed since the worker reached age 21, ending in the quarter in which the worker became disabled. However, a minimum of 6 quarters is required.

BENEFIT COMPUTATION

Disability benefits are computed in the same manner as old age and survivors benefits except that the number of years of earnings which is excluded when determining the benefit amount is less than 5 for workers under age 47. The number of drop-out years allowed increases with the age of the insured worker at disablement. The amount of the monthly benefit is based on the insured worker's primary insurance amount (PIA).

The following table lists major disability benefits with the percentage of the insured worker's PIA.

TYPE OF MONTHLY BENEFIT

	Percent of PIA
Disabled worker (any age)	100
Dependents of disabled worker: [1] Wife or husband (age 62), Mother, Father, Children and Grandchildren	50
Survivors: [1] Disabled (age 50–59), widows or widowers	50 to 71

[1] Subject to maximum family benefit limitation.

Substantial gainful activity

The Secretary of HHS[1] has specific regulatory authority to prescribe the criteria for determining when earnings derived from employment demonstrate an individual's ability to engage in substantial gainful activity (SGA).

The Secretary has published regulations specifying the monetary amounts which indicate substantial gainful activity. At the present time the SGA earnings level is $300 a month.

Trial work period

A 24-month "trial work period" is provided for disabled beneficiaries who attempt to work, during which their benefits will not be terminated because of work. During the second 12 months of this period, benefits are suspended for any month during which the individual is engaged in substantial gainful activity (SGA), but his entitlement to benefits is not terminated. Medicare benefits may be continued for 24 months after the expiration of the trial work period.

If an individual medically recovers to the extent that he no longer meets the definition of disability, benefits are terminated regardless of the "trial work" provision. Only one trial work period is permitted for each period of disability. Beneficiaries who qualified for benefits without a waiting period are not entitled to a trial work period. The Secretary of HHS has provided by regulation that earnings of $75 a month will constitute a month of "trial work."

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[1] Throughout the remainder of this section when Secretary is used, it is the Secretary of Health and Human Services.

Maximum family benefit

The maximum monthly amount of family benefits which is payable on a disabled worker's earnings record for workers who first become entitled after June 1980, is the smaller of 85 percent of the worker's average indexed monthly earnings or 150 percent of the worker's primary insurance amount. However, in no case can the benefit be reduced below 100 percent of the worker's primary insurance amount.

Offset for other public disability benefits

When a disabled worker under age 65 qualifies on the basis of total or partial disability (whether or not permanent) for benefits which are provided by Federal, State and local governments and worker's compensation, the social security benefits payable to him and his family are reduced by the amount, if any, that the total monthly benefits payable under the two or more programs exceed 80 per cent of his average current earnings before he became disabled. Needs-tested benefits, Veterans' Administration disability benefits, and benefits based on public employment covered by social security are not subject to the provision. A worker's average current earnings for this purpose are the larger of (a) the average monthly earnings used for computing his social security benefits, or (b) his average monthly earnings in employment or self-employment covered by social security during the 5 consecutive years of highest covered earnings after 1950, or (c) the average monthly earnings during the calendar year of highest earnings during a period consisting of the year in which disability began and the preceding five years without regard to the limitations which specify a maximum amount of earnings creditable for social security benefits. The combined payments after the reduction are never less than the total amount of the DI benefits payable before the reduction. In addition, the social security benefit is increased by the full amount of the cost-of-living increase as applied to the unreduced benefit. Every 3 years the original amount of benefits subject to reduction is redetermined to reflect changes in average wage levels. If increases in the average national wages would result in a higher benefit than that payable based on the original computation, the benefit is increased effective January of the redetermination year.

The offset begins in the month during which concurrent entitlement begins under a Federal or State law.

The offset of the social security disability benefit will not be made if the State worker's compensation law provides for an offset against social security disability benefits. However, this waiver of the offset would only apply where the State program began offsetting on or before February 18, 1981.

DETERMINATION OF DISABILITY

State agency determinations of disability

Disability determinations are made by State agencies who agree to make such determinations and substantially comply with the regulations of the Secretary. The Secretary is required to issue regulations specifying, in such detail as he deems appropriate, performance standards and administrative requirements and procedures to be followed in performing the disability determination function "in order to assure effective and uniform administration of the disability insurance program through the United States." Certain operational areas are cited as "examples" of what the regulations may specify. These include such items as the nature of the administrative structure, the physical location of and relationship among agency staff units, performance criteria and fiscal control procedures.

The law also provides that if the Secretary finds that a State agency is substantially failing to make disability determinations consistent with his regulations, the Secretary shall, not earlier than 180 days following his findings, terminate State administration and make the determinations himself. The law also allows for termination by the State. The State would be required to continue to make disability determinations for not less than 180 days after notifying the Secretary of its intent to terminate. Thereafter, the Secretary would be required to make the determinations.

Determining disability: Application of law and regulations

The adjudication of claims is accomplished on a sequential basis. Whether the individual is currently employed and the amount of earnings are the first factor considered. If the individual is earning the amount that determines ability to engage in "substantial gainful activity" (SGA, now $300 a month) he is determined not disabled. If he is making less than this amount or not working at all, the severity and duration of the impairment are explored. If the severity is determined to be "not severe" the individual is denied right at that point. However, if the impairment is "severe," a determination is made whether the impairment "meets" or "equals" the level of severity spelled out in the regulations[2] and whether it will last for 12 months. If it neither "meets" nor "equals" the specified standard (which will result in an allowance) but meets the 12-month duration rule, a determination is then made whether the claimant is able to carry out his former occupation. If he can he is denied benefits, but if he cannot, the non-medical factors come into play.

At this stage, because of a judicial opinion and subsequent administrative and legislative ratification, the burden of proof switches to the Government to show that the individual can, considering his impairment, age, education, and work experience, engage in some other kind of substantial gainful activity which exists in a national economy. Such work, however, does not have to exist in the immediate area in which he lives and a specific job vacancy does not have to be available to him. Work in the national economy is defined in the law as work which exists in significant numbers either in the region where such individual lives or in several regions of the country.

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[2] The Listing of Impairments contains over 100 examples of medical conditions that would ordinarily prevent an individual from engaging in any gainful activity. Each listing describes a degree of severity such that an individual who is not working and has such an impairment is considered unable to work by reason of the medical impairment. The listing describes specific medically acceptable clinical and laboratory findings and signs which establish the severity of the impairments. An impairment or combination of impairments is said to "equal the listings" if the medical findings for the impairment are at least equivalent in severity and duration to the listed findings of a listed impairment.

In the face of a growing number of nonmedical allowances and a declining number of cases where the medical listings were met, the Social Security Administration in 1976 developed a vocational "grid" designed to reduce the subjectivity and lack of uniformity in applying the vocational factor. The grid regulations were designed to formularize certain worker characteristics such as age, education, and past work experience, in relation to the individual's residual functional capacity (RFC) to perform work-related physical and mental activities. If the claimant has a particular level of residual work capability—characterized by the terms Sedentary, Light, Medium, Heavy and Very Heavy—an automatic finding of "disabled" or "not disabled" is required when applied to various combinations of age, education, and work experience.

The regulations were finally promulgated in February 1979 after some lengthy administrative hearings and consideration. In terms of program experience during the period 1975–1981, there has been a decline at the State agency level in the number of non-medical allowances and a dramatic increase in the percentage of allowed cases which "met" the medical listings. Those percentages are presented in Table 2. Morever, there was an equally dramatic increase in the number of denials on the basis of "impairment not severe" which under the sequential method of determining disability would exclude the consideration of the non-medical factors. Table 3 gives a percentage distribution of the basis for denials at the initial determination of disability at the State agency level for fiscal years 1975 to 1981.

TABLE 2.—BASIS FOR TITLE II ALLOWANCES—NATIONAL FIGURES: INITIAL WORKER DETERMINATION, FISCAL YEARS 1975–81

[In percent]

Fiscal year	Meets listing	Equals listing	Medical and vocational considerations
1975	29.4	43.9	26.7
1976	29.0	45.1	25.9
1977	34.2	41.9	23.9
1978	45.6	31.9	22.5
1979	55.1	22.7	22.1
1980 [1]	57.9	16.2	25.9
1981 [1]	65.2	11.0	23.7

[1] Based on a national sample.

TABLE 3.—BASIS FOR TITLE II DISALLOWANCES AND DENIALS: INITIAL WORK DETERMINATION, FISCAL YEARS 1975–81

[In percent: fiscal years]

	Duration	Slight impairment	Able to perform useful work	Able to perform other work	Engaging in SGA	Failure to cooperate	Failure to appear	Other
1975	19.6	8.4	44.3	18.2	1.0	5.1	1.8	1.6
1976	19.9	10.8	41.9	20.1	.4	4.8	1.8	.3
1977	21.2	24.8	30.0	15.7	.5	4.9	1.8	1.1
1978	21.1	31.8	25.0	14.6	.5	4.1	1.9	1.0
1979	20.0	41.6	21.5	12.5	.4	.9	2.3	.8
1980[1]	20.6	39.0	23.7	12.7		1.9	1.3	.7
1981[1]	19.6	39.0	24.3	13.0		2.4	1.5	.1

[1] Based on a national sample.

A widow or widower may qualify for benefits at age 50 and over if he or she has "physical or mental impairments" at "a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity." The regulations of the Secretary state that to qualify for disabled widows' benefits a person must have impairments which "meet the listings" or "are medically equivalent to those for any impairment shown there." Thus, vocational factors are not taken into account in determining the disability of a widow or widower.

Federal review of State determination

The Secretary may, on his own motion, review any determination by a State agency.

The law requires that the following minimum number of allowances (or continuances) of disability shall be reviewed by the Secretary:

	Percent[1]
Decisions made in fiscal year:	
1981	15
1982	35
1983 and thereafter	65

[1] Minimum percent reviewed.

Periodic review of individuals receiving disability benefits

In case of any individual on the rolls who is determined to be nonpermanently disabled, he shall be re-examined for benefit eligibility at least once every three years. Where there is a finding of permanency, the Secretary shall re-examine at such times as he shall determine to be appropriate. These reviews shall be in addition to the administrative procedures existing prior to the 1980 amendments which determined continued eligibility for disability benefits.

Medical evidence

An individual shall not be considered under a disability unless he furnishes such medical and other evidence as the Secretary may require.

Under the law, the Secretary will generally reimburse physicians or hospitals for supplying medical evidence in support of claims for social security disability insurance benefits. The Secretary also pays for medical examinations if this is needed to adjudicate the claim.

Attorney's fees and representation

At the administrative level the Secretary of HHS is authorized to fix a reasonable fee for the services provided before the Social Security Administration for a Social Security applicant by an attorney and to pay such attorney's fee out of the applicant's past-due benefits. The amount that can be paid out of past-due benefits is limited to the smaller of (a) 25 percent of the past-due benefits; (b) the fee fixed by the Secretary; or (c) an amount agreed to by the applicant and the attorney. The Secretary shall certify for payment to the attorney the fee so fixed.

A court which renders a decision favorable to a claimant for social security benefits is permitted to set a reasonable fee for the attorney who represented the claimant before the court. The fee cannot exceed 25 percent for the past-due benefits which result from the court's decision. The Secretary may certify for payments to the attorney, out of the total of the past-due benefits, the amount of the fee set by the court.

VOCATIONAL REHABILITATION

The Social Security Act requires that disabled persons applying for a determination of disability be promptly referred to State vocational rehabilitation agencies for necessary rehabilitation services. The act provided for withholding of benefits for refusal, without good cause, to accept rehabilitation services available under a State plan approved under the Vocational Rehabilitation Act in such amounts as the Secretary shall determine.

Public Law 97-35 eliminated reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of at least 9 months. Such a nine-month period could begin while the individual is under a vocational rehabilitation program and may also coincide with the trial work period or the individual's waiting period for benefits. The services must be performed under a State plan for vocational rehabilitation services under title I of the Rehabilitation Act. In the case of any State which is unwilling to participate or which does not have a plan which meets the requirements of the Vocational Rehabilitation Act, the Commissioner of Social Security may provide such services by agreement or contract with other public or private agencies, organizations, institutions or individuals. The determination that the VR services contributed to the successful return of the individual to SGA and the determination of the amount of costs to be reimbursed shall be made by the Commissioner of Social Security in accordance with criteria formulated by him. Payments under this provision shall be made in advance or by way of reimbursement, with necessary adjustments for overpayments or underpayments.

DISABILITY CLAIMS AND APPEALS STRUCTURE

The social security appeals and case review process is a complex administrative structure which is inextricably linked with the disability determination process. Since about 95 percent of the hearing requests involve disability claims (both social security and SSI), the process described will be for that type of claim. The application for disability benefits is made at the Federal social security district office where the claimant is interviewed and the sources of medical evidence are recorded. After determining whether the applicant meets the insured status requirements, the case is then sent to the State agency which, operating as an agent of the Social Security Administration, makes the initial determination of disability. If a claimant or terminated beneficiary is dissatisfied with an initial denial or termination of disability benefits by the State agency, he can request a reconsideration within 60 days of notice of denial. The reconsideration is also carried out by the State agency but by personnel other than those who made the initial determination. If upon reconsideration the claimant is again denied benefits he will be given a hearing before an administrative law judge (ALJ) providing he files a request within 60 days of notice of denial. If the claim is denied by the ALJ, the claimant has 60 days to request review by the Appeals Council. The Appeals Council may also, on its own motion, review a decision within 90 days of the ALJ's decision. The Appeals Council may review, affirm, modify or reverse the decision of the ALJ, or it may remand it to the ALJ for further development. The claimant is notified in writing of the final action of the Appeals Council, and is informed of his right to obtain further review by commencing a civil action within 60 days in a United States district court.

Benefits of terminated DI beneficiary are not continued while the individual seeks an appeal; however, if the eventual decision is in favor of the individual, a retroactive payment is made.

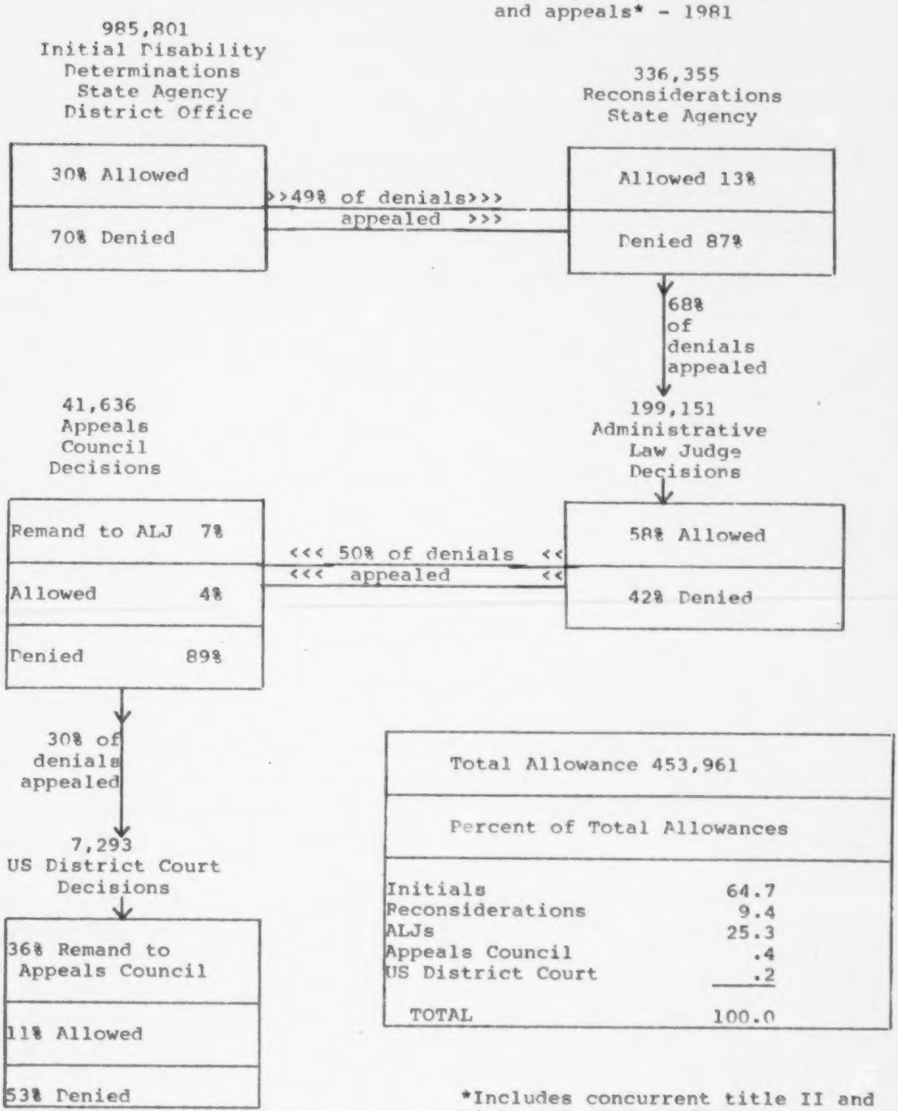
The magnitude and complexity of the appeals process is shown in Table 4. For fiscal year 1981, of the 985,801 initial disability determinations, 30 percent were allowed and 70 percent were denied. Approximately 49 percent of those denied asked for a reconsideration by the State agency.

Of the 453,961 allowances in fiscal year 1981, 64.7 percent were allowed at the time of the initial determination; 9.4 percent were allowed upon reconsideration by the State agency; 25.3 percent of all allowances were made by the administrative law judges and the remaining small percent of allowances were given by the Appeals Council and the U.S. district courts.

TABLE 4

Disability Determinations and Appeals, Fiscal Year 1981

Title II
Disability Determinations
and appeals* - 1981


985,801
Initial Disability
Determinations
State Agency
District Office
30% Allowed
70% Denied
>>49% of denials>>>
appealed >>>
336,355
Reconsiderations
State Agency
Allowed 13%
Denied 87%
68%
of
denials
appealed
199,151
Administrative
Law Judge
Decisions
58% Allowed
42% Denied
<<< 50% of denials <<
<<< appealed <<
41,636
Appeals
Council
Decisions
Remand to ALJ 7%
Allowed 4%
Denied 89%
30% of
denials
appealed
7,293
US District Court
Decisions
36% Remand to
Appeals Council
11% Allowed
53% Denied

Total Allowance 453,961	
Percent of Total Allowances	
Initials	64.7
Reconsiderations	9.4
ALJs	25.3
Appeals Council	.4
US District Court	.2
TOTAL	100.0

*Includes concurrent title II and Title XVI. Rates of appeals are based on total decisions made and not on receipts during fiscal year.

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In the past year the case backlog has worsened appreciably at all levels of adjudication but particularly at the ALJ and court levels. The noted differences in the allowance rates at the different adjudication levels continues (see tables 4 and 5). Some 21,000 disability court cases are pending, and the backlog of ALJ hearing cases has grown to about 130,000 at the present time. If action is not taken this backlog will grow to an estimated 200,000 cases in two years.

TABLE 5.—ADMINISTRATIVE LAW JUDGE REVERSAL RATES—DISABILITY INSURANCE INITIAL DENIALS AND TERMINATIONS, FISCAL YEARS 1979–81

	Dismissed	Affirmed	Reversed	Total	Percent reversed
Fiscal year 1979:					
Initial denials	6,332	31,485	48,934	86,751	56.4
Terminations	1,401	4,078	8,052	13,531	59.5
Fiscal year 1980:					
Initial Denials	7,093	31,703	56,733	95,529	59.4
Terminations	1,431	4,197	9,909	15,537	63,8
Fiscal year 1981:					
Initial Denials	15,137	59,929	89,124	164,190	54.3
Terminations	2,622	6,944	16,679	26,245	63.5

Requests for ALJ hearings were approximately 275,000 for fiscal year 1981, but are estimated to increase to 340,000 in fiscal year 1982 and 416,000 in fiscal year 1983, a 24 percent and 50 percent increase, respectively. The recent increase is due in large part to the decision of the Administration in 1981 to accelerate the examination of the continuing eligibility of persons on the disability rolls which would have been effective in January 1982 under the 1980 Disability Amendments. It is estimated that the Social Security Administration will process 314,000 continuing disability investigations (CDI's) in 1981, 520,000 in 1982, and 832,000 in 1983. See Table 6 for previous years' experience. Although SSA has reservations about the early data reported, the State agencies' review has resulted in 67,897 continuances of benefits and 57,011 cessations (terminations) out of the 124,908 CDI decisions completed by the end of December, 1981, indicating a denial rate of almost 50 percent. However, these individuals are in a group of beneficiaries chosen because it is believed that they are the most likely to be subject to termination.

TABLE 6.—CONTINUING DISABILITY INVESTIGATIONS (CDI): TITLE II DISABLED WORKERS, CESSATIONS AND CONTINUATIONS, 1976–80

[Calendar years]

	Cessations		Continuations		Total cases		
	Number	Percent	Number	Percent	Cessations and continuations	Total disabled workers [1]	Percent reviewed
1976	33,664	22.1	118,659	77.9	152,323	2,670,244	5.7
1977	53,190	33.9	103,757	66.1	156,947	2,834,432	5.5
1978	63,642	33.4	126,660	66.6	190,302	2,879,828	6.6
1979	73,135	39.0	114,191	61.0	187,326	2,870,411	6.5
1980	75,876	40.9	109,763	59.1	185,639	2,873,176	6.5

[1] In force at end of calendar year.

RECENT EXPERIENCES IN THE DISABILITY PROGRAM

In the past several years, there has been virtually no growth or even a slight decline in the number of beneficiaries (from 4.868 million in 1978 to 4.557 million in August 1981). The number of awards has declined from 592,000 in 1975 to approximately 345,254 in 1981. The incidence of disability (number of awards per 1,000 insured workers) has fallen from an all-time high of 7.1 in 1975 to 3.5 in 1981. The latter is the lowest incidence rate in the history of the program. (See Table 7).

TABLE 7.—DISABLED WORKERS' APPLICATIONS AWARDS AND AWARDS PER 1,000 INSURED, AND UNEMPLOYMENT RATE FOR 1975; 1979 TO 1981

	Number of applications	Percent of unemployment rate	Total awards	Awards per 1,000 workers (percent)
1975	1,284.7	8.7	592,049	7.1
1979	1,187.8	5.8	408,680	4.5
1980	1,262.2	7.1	389,152	4.1
1981	1,161.3	7.6	345,254	3.5

The other element of disability subject to some control—termination for recovery—stood at 42,981 cases in 1971. However, due to budgetary and workload concerns, it averaged less than 40,000 cases over the next 5 years although the number of disabled workers had increased from 1.6 million to 2.6 million. Since 1977 recoveries have increased markedly and stood at 72,325 in 1979 (see Table 8). The recovery rate stood at about 16 per thousand during the period 1974–76 but had risen to 25 per thousand by 1979. Although this is the latest statistic available at this time, the pro-

gram of continuing disability investigations (CDI's) will increase this substantially in the next several years.

TABLE 8.—NUMBER OF TERMINATIONS AND GROSS TERMINATION RATES FOR DISABLED WORKER BENEFICIARIES FOR YEARS 1965–79

[Calendar years]

	Average number in force (in thousands)	Number of terminations		Gross termination rates (per thousand)		
		Death	Recovery	Death	Recovery	Death and recovery
1965	948	79,823	18,441	84.2	19.4	103.6
1966	1,053	84,399	23,111	80.1	21.9	102.0
1967	1,159	92,084	37,151	79.5	32.1	111.6
1968	1,259	99,924	37,723	79.4	30.0	109.4
1969	1,360	108,762	38,108	79.9	28.0	107.9
1970	1,460	105,799	40,802	72.5	27.9	100.4
1971	1,586	109,883	42,981	69.3	27.1	96.4
1972	1,754	108,663	39,393	62.0	22.5	84.5
1973	1,937	125,582	36,696	64.8	18.9	83.7
1974	2,129	135,083	[1] 38,000	63.4	[1] 17.8	[1] 81.2
1975	2,391	139,809	[1] 39,000	58.5	[1] 16.3	[1] 74.8
1976	2,615	137,141	[1] 40,000	52.5	[1] 15.3	[1] 67.8
1977	2,781	139,418	[1] 60,000	50.1	[1] 21.6	[1] 71.7
1978	2,882	140,620	64,144	48.8	22.3	71.1
1979	2,893	143,023	72,325	49.4	25.0	74.4

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[1] From September 1974 through June 1977, procedures for identifying recovery terminations were defective. Numbers of recovery terminations have been estimated for years 1974 through 1977 on the basis of data from other sources.

Source: Experience of Disabled Worker benefits under OASDI, 1974–78 Actuarial Study No. 81, April 1980.

CHARACTERISTICS OF DI BENEFICIARIES

TABLE 9.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY AGE AND SEX SELECTED YEARS 1970–75, COMPARED WITH ADULT U.S. POPULATION

Characteristics	Year allowed benefits			Adult U.S. population[1]
	1970	1973	1975	
Total percent	100.0	100.0	100.0	100.0
Age:				
Under 35	9.0	8.0	11.0	43.0
35 to 44	11.0	9.0	10.0	20.0
45 to 54	26.0	26.0	26.0	21.0
55 to 59	24.0	26.0	23.0	9.0
60 and over	30.0	31.0	30.0	8.0
Median age (years)	56.0	56.3	55.6	38.6
Sex:				
Male	74.0	71.0	68.0	48.0
Female	26.0	29.0	32.0	52.0

[1] Derived from 1970 Census; based on population aged 18–64.

TABLE 10.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY EDUCATION AND OCCUPATION, SELECTED YEARS 1970–75, COMPARED WITH ADULT U.S. POPULATION

Education and occupation	Year allowed benefits			Adult U.S. population[1]
	1970	1973	1975	
Total percent	100	100	100	100
Education (years of school completed):				
No schooling	2	1	1	2
Elementary school (1 to 8)	44	40	37	27
High school	46	50	52	51
9 to 11	23	23	24	19
12	23	26	28	31
Some college	9	10	10	21
Occupation:				
Professional, technical and managerial	12	13	18	24
Clerical and sales	15	15	14	25
Service	18	17	17	12
Farming	6	5	4	3
Transportation, packaging and handling, mineral extraction	14	13	12	18
Machine trades	11	11	10	18
Bench work	6	7	7	
Processing	3	4	3	
Structural work	15	15	15	

[1] Derived from 1970 Census. Figures for education based on persons aged 25 and over. Figures for occupation based on employed population aged 18–64.

TABLE 11.—PERCENT DISTRIBUTION OF DISABILITY BENEFICIARIES BY DISABLING CONDITION AND MOBILITY, SELECTED YEARS 1970–75

Disabling condition and mobility	Year allowed benefits		
	1970	1973	1975
Total percent	100	100	100
Disabling condition:			
Ineffective and parastic diseases	3	2	1
Neoplasms	10	10	10
Allergic, endocrine system, metabolic and nutritional diseases	4	4	3
Mental, psychoneurotic and personality disorders	11	10	11
Diseases of the nervous system and sense organs	6	6	7
Circulatory system	31	32	32
Respiratory system	7	7	7
Digestive system	3	3	3
Bones and organs of movement	15	17	17
Accidents, poisonings and violence	8	6	6
Other	2	3	3
Mobility:			
Institutionalized	6	3	2
Hospitalized	6	4	3
Housebound	6	3	2
Ambulatory outside house:			
With help	16	16	13
By self	66	73	77

Section 4. Medicare

Medicare, authorized under title XVIII of the Social Security Act, is a nationwide health insurance program for the aged and certain disabled persons. It consists of two parts: the hospital insurance (part A) program and the supplementary medical insurance (part B) program.

ELIGIBILITY

Most Americans age 65 or older are automatically entitled to protection under part A. Persons age 65 or older who are not "insured" (i.e., not eligible for monthly social security benefits) may obtain coverage, providing they pay the full actuarial cost of such coverage. The monthly premium, as of July 1, 1981, is $89. It rises to $113 on July 1, 1982. Also eligible, after a 2-year waiting period, are people under age 65 who are receiving monthly social security benefits on the basis of disability and disabled railroad retirement system annuitants. (Dependents of the disabled are not eligible.) Most people who need a kidney transplant or renal dialysis because of chronic kidney disease are, under certain circumstances, entitled to benefits under part A regardless of age.

Part B of medicare is voluntary. All persons age 65 or older (whether "insured" or not) may elect to enroll in the supplementary medical insurance program by paying the monthly premium. The premium, as of July 1, 1981, is $11. It rises to $12.20 per month beginning July 1, 1982.

NUMBER OF BENEFICIARIES

In fiscal year 1982, approximately 25.4 million aged and 3.0 million disabled will have protection under part A. Of those, 6.5 million aged and 0.8 million disabled will actually receive reimbursed services. In fiscal year 1982, 25.5 million aged and 2.8 million disabled will be enrolled in part B. Over 17.1 million of the aged and 1.8 million of the disabled will receive part B reimbursed services.

TABLE 1.—NUMBER OF AGED AND DISABLED ELIGIBLE ENROLLEES AND BENEFICIARIES AND AVERAGE AND TOTAL MEDICARE BENEFIT PAYMENTS

[In thousands]

	1980 (actual)	1981 (actual)	1982 (estimate)	1983 (estimate)
Part A:				
Persons with hospital insurance protection (monthly average):				
Aged	24,471	24,962	25,410	25,882
Disabled	2,977	3,007	3,040	3,045
Beneficiaries receiving reimbursed services:				
Aged	5,860	6,450	6,510	6,670
Disabled	800	805	830	835
Average annual benefit per person enrolled:				
Aged	$870	$1,040	$1,190	$1,360
Disabled	980	1,170	1,370	1,560
Total benefit payments:				
Aged	20,906	25,471	29,649	34,072
Disabled	2,887	3,438	4,053	4,608
Part B:				
Beneficiaries:				
Persons enrolled (average):				
Aged	24,410	24,946	25,457	25,994
Disabled	2,703	2,745	2,771	2,779
Beneficiaries receiving reimbursed services:				
Aged	15,525	16,764	17,133	17,572
Disabled	1,737	1,787	1,821	1,855
Average annual benefit per person enrolled:				
Aged	$359	$427	$507	$585
Disabled	383	463	561	664
Total benefit payments:				
Aged	8,441	10,281	12,391	14,386
Disabled	1,703	2,064	2,442	2,787

BENEFITS

Part A of medicare will pay "reasonable costs" for:

1. *Inpatient hospital care.*—All reasonable expenses for the first 60 days minus a deductible ($260 in calendar year 1982) in each benefit period. For days 61-90, a coinsurance amount ($65 in calendar year 1982) is deducted. (When more than 90 days are required in a benefit period, a patient may elect to draw upon a 60 day lifetime reserve. A coinsurance amount ($130 in calendar year 1982) is also deducted for each reserve day.)

2. Skilled nursing facility care.—Up to 100 days (following hospitalization) in a skilled nursing facility for persons in need of continued skilled nursing care and/or skilled rehabilitation services on a daily basis. After the first 20 days, there is a daily coinsurance amount deducted ($32.50 in calendar year 1982).

3. Home health care.—An unlimited number of medically necessary home health visits by nurses, therapists, and other health workers for a homebound individual.

Part B of medicare pays 80 percent of the reasonable charges (or of reasonable cost) for covered services in excess of an annual deductible ($75 beginning January 1, 1982). Services covered include the following:

1. Doctor's services.—Including surgery, consultation, and home, office and institutional visits. Certain limitations apply for services rendered by dentists, podiatrists and chiropractors and for the treatment of mental illness.

2. Other medical and health services.—Laboratory and other diagnostic tests, X-ray and other radiation therapy, outpatient services at a hospital, rural health clinic services, home dialysis supplies and equipment, artificial devices other than dental, physical and speech therapy, and ambulance services.

3. Home health services.—Unlimited number of medically necessary home health visits. The 20 percent coinsurance and $75 deductible do not apply for such benefits.

TABLE 2.—BENEFIT PAYMENTS BY SERVICE UNDER PART A AND PART B, FISCAL YEARS 1980 AND 1982

[Dollars in millions]

	1981 payments		1983 payments (estimate)	
	Amount	Percent	Amount	Percent
Part A:				
For inpatient hospital services	$27,837	67.4	$36,848	66.0
For skilled nursing facility services	404	1.0	513	.9
For home health services	668	1.6	1,319	2.4
Total benefit payments	28,909	70.0	38,680	69.3
Part B:				
For physician services	8,780	21.3	12,370	22.1
For radiology and pathology services	650	1.6	844	1.5
For outpatient services	2,347	5.7	3,382	6.1
For other medical and health services	568	1.4	577	1.0
Total benefit payments	12,345	30.0	17,173	30.7
Total	41,254	100.0	55,853	100.0

ADMINISTRATION

Responsibility for administration of the medicare program has been delegated by the Secretary of Health and Human Services to the Administrator of the Health Care Financing Administration (HCFA). Much of the day-to-day operational work of the program is performed by "intermediaries" and "carriers" which have responsibility for reviewing claims for benefits and making payments.

In general, hospitals and other providers that are paid on a reasonable cost basis can nominate, subject to HCFA's approval, a national, State, or other public or private agency to serve as a fiscal intermediary between themselves and the Federal Government. Presently, there are nine organizations serving as medicare intermediaries. One intermediary, Blue Cross, is made up of 59 individual Blue Cross plans.

Medicare payments that are based on reasonable charges are made by insurance organizations, referred to as carriers, that have been selected by the Secretary to serve specified geographical areas. There are 41 carriers, including 27 Blue Shield plans.

REIMBURSEMENT POLICIES AND PROCEDURES

Medicare benefits are paid on the basis of "reasonable cost" in the case of hospitals and other institutional providers and "reasonable charges" in the case of physicians and other noninstitutional suppliers of services. The number of participating institutions and organizations is shown in table 3.

Under part A, hospitals and other institutional providers of services submit bills on behalf of the beneficiary and agree to accept the program's reasonable cost reimbursement as payment in full, except for deductible and coinsurance amounts. In contrast, physicians and other suppliers of services under part B may choose on a bill-by-bill basis whether or not to accept an "assignment" under the terms of which they will be bound by the program's reimbursement policies.

For a more complete description of how medicare reimburses hospitals and doctors, see Appendix F.

TABLE 3.—PARTICIPATING INSTITUTIONS AND ORGANIZATIONS (JULY 1, 1981)

Hospitals	6,716
Short stay	6,060
Long stay	656
Skilled nursing facilities	5,238
Home health agencies	3,098
Independent laboratories	3,471
Outpatient physical therapy providers	495
Portable X-ray suppliers	229
Rural health clinics	427
Facilities providing services to renal disease beneficiaries (December 1980)	1,047
Hospitals certified as both renal transplant and renal dialysis centers	145
Hospitals certified as renal transplant centers	6
Hospitals certified as renal dialysis centers	491
Non-hospital Renal dialysis facilities	405

HOSPITAL AND SKILLED NURSING FACILITY BEDS (JULY 1981)

Hospitals	1,145,086
Short stay	992,233
Long stay	152,853
Skilled nursing facilities	453,979

Source: Health Care Financing Administration.

PROFESSIONAL STANDARDS REVIEW ORGANIZATIONS (PSRO'S)

The Social Security Amendments of 1972 provided for the establishment of Professional Standards Review Organizations (PSRO's) throughout the country which are charged with the comprehensive and on-going review of services provided under medicare, medicaid, and the maternal and child health programs. PSRO's determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary, (2) provided in accordance with professional standards, and (3) in the case of institutional services, rendered in the appropriate setting.

PSRO's are formed by organizations representing substantial numbers of practicing physicians in geographic areas nationwide. In 1980, there were 47 fully designated and 140 conditionally designated PSRO's in operation.

The major focus of the PSRO program has been on the review of inpatient hospital services. While PSRO's are also charged with review responsibilities in other health care settings, budget limitations have limited review outside the hospital setting.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) required the Secretary of Health and Human Services to assess the relative performance of PSRO's and authorized the Secretary to terminate up to one-third of all PSRO's prior to October 1, 1982, based on such assessment. Further, under the law, PSRO's are no longer reimbursed directly for review of medicaid services. A State, at its option, may contract with a PSRO for medicaid review with the Federal matching funds of 75 percent. For a more detailed discussion of the changes made by the Omnibus Budget Reconciliation Act of 1981, see Appendix C.

FINANCING

The hospital insurance part of the program is financed primarily through social security payroll tax contributions paid by employees, employers and the self-employed. The payroll tax rate for calendar year 1982 is 1.3 percent on wages up to $32,400 per employee. The contribution rate for the employer is the same. For the uninsured who *elect* to enroll in part A, the full cost of the coverage is reflected in their monthly premiums ($89 as of July 1, 1981 rising to $113 on July 1, 1982).

Part B, which is voluntary, is financed from premiums paid by the aged, disabled, and chronic renal disease enrollees and from Federal funds. The permium rate is reviewed annually and is changed each July 1. Increases are to reflect the expected increases in the operating costs of the program. However, the premium rate cannot be increased by a rate greater than social security benefits were last increased as a result of a general cash benefit increase. The standard monthly premium for the 12 months beginning July 1981 is $11.00. Beginning July 1, 1982, the premium will be $12.20.

Today, premiums paid by the enrollees are sufficient to finance approximately one-quarter of the cost of the part B program. The remaining cost is financed from Federal general revenues.

The status of the HI and SMI trust funds are shown in Tables 4 and 5.

See section 5 for a more complete description of the tax rates under part A and the short and long run financial status of the social security trust funds.

TABLE 4.—PROJECTIONS FOR THE HOSPITAL INSURANCE TRUST FUND OUTLAYS, INCOME, AND BALANCE FOR FISCAL YEARS 1981–87 UNDER PRELIMINARY CBO AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW

[In billions]

	1981 (actual)	1982	1983	1984	1985	1986	1987
Congressional Budget Office:							
Outlays	29.3	34.3	40.0	46.3	53.1	60.6	69.1
Income	32.9	38.0	41.3	45.1	50.1	57.4	62.8
Year end balance	18.1	21.8	23.2	22.0	19.0	15.8	9.5
Start of year balance as percentage of outlays	50.0	52.8	54.6	50.1	41.4	31.3	22.8
Reagan administration:							
Outlays	29.3	34.3	39.5	45.0	51.7	59.1	67.4
Income	32.9	38.7	42.2	45.7	50.9	58.6	64.4
Year end balance	18.1	22.5	25.2	26.0	25.2	24.7	21.7
Start of year balance as percentage of outlays	50.0	53.0	57.0	56.0	50.0	43.0	37.0

TABLE 5.—PROJECTIONS FOR THE SUPPLEMENTAL MEDICAL INSURANCE TRUST FUND, BUDGET AUTHORITY AND OUTLAYS, FISCAL YEARS 1981 TO 1987, UNDER PRELIMINARY CBO AND REAGAN ECONOMIC ASSUMPTIONS, PRESENT LAW

[In billions]

	1981 (actual)	1982	1983	1984	1985	1986	1987
Congressional Budget Office:							
Income [1]	12.5	17.6	20.6	22.4	26.1	30.4	36.0
Outlays	13.2	15.5	18.2	21.4	25.0	29.1	33.9
Year end balance	3.7	5.8	8.2	9.2	10.3	11.6	13.6
Reagan administration:							
Income [1]	12.5	17.6	19.4	22.0	25.1	28.7	32.5
Outlays	13.2	15.6	18.0	21.0	24.2	27.6	31.5
Year end balance	3.7	5.7	7.1	8.1	9.0	10.1	11.1

[1] Income includes premium payments, general revenue financing, and interest.

Section 5. OASDHI Financing

OVERVIEW

This section presents a discussion of social security financing, divided into 4 main parts: current law; a brief history of the financing structure, including a discussion of the impact of indexing and of the 1977 and later amendments; the status of the OASDHI (old age, survivors, disability, and hospital insurance) trust funds under three alternative economic scenarios over the next 5 years; and a brief discussion of the long-term financial status of OASDHI and the factors involved in estimating trust fund experience 75 years into the future.

The historical discussion, in particular, attempts to outline the major factors underlying the financing shortfall facing the OASI trust fund, which will be able to pay benefits under current law only through June or July 1983 under all economic scenarios. Furthermore, under CBO's baseline economic projections, the reserves of all three funds combined—old age and survivors', disability and hospital insurance—will fall below the level necessary to pay benefits in 1984. While there have been projections of major financing problems for the funds before—notably in 1977—the current situation is unprecedented because the entire OASDHI system considered together has such a low level of reserves.

In the past, there has usually been a reserve cushion sufficient to carry the funds through periods of unanticipated economic hardship. At this point, that cushion has been virtually exhausted in the OASI fund, and if that fund must draw on the reserves of the other two funds to meet obligations, without changes in the law or policy to reduce projected outlays or increase projected revenues, the three funds combined will likely be insufficient to pay benefits sometime in 1984. Under these circumstances, the assumptions used to project short-term trust fund operations are of critical importance; this discussion therefore presents projections based on three sets of assumptions, to give a range of possible experience, and to give readers a sense of the timing necessary for any remedial action.

CURRENT LAW

The social security progams (OASDHI) are financed through the payroll tax on a pay-as-you-go basis; that is, current income to the system goes out directly to meet current benefit obligations. Any funds collected in excess of the amount needed to make benefit payments are held in the trust funds as reserves, and are invested in Government securities. These reserves serve as a cushion against temporary shortfalls in revenues or large increases in outlays due to economic fluctuations; the reserves also provide additional interest revenues to the trust funds.

Trust fund income is dependent on the amount of wages covered by social security on which contributions are made according to the payroll tax rate for each year. Benefit outlays are made under a permanent appropriation, in the amount to which beneficiaries are entitled based on their earnings records, and are not limited to the amount of revenue flowing into the trust fund from contributions and interest. If, as has occurred in recent years, yearly income is insufficient to cover benefit payments, reserve funds are used to make up the difference. There is no statutory or regulatory level required for the reserve funds.

The payroll tax (known as FICA, or Federal Insurance Contributions Act) is levied on wages in employment covered by social security, with portions of the total tax rate allocated by law to each of the three trust funds (OASI, DI and HI). All persons who work in covered employment pay this mandatory tax on their earnings up to a maximum dollar amount (know as the contribution and benefit base, or wage base). Employers pay an equal tax rate for these workers. Self-employed workers pay social security taxes that are about 75 percent of the combined employer-employee rate for OASDI; the self-employed HI rate is the same as the employee rate. Under current law, as of January 1982, the tax paid by both the employer and employee is 6.7 percent of the first $32,400 of earnings (self-employed persons pay 9.35 percent). Future increases in the tax rates are set in the law, while increases in the wage base are automatic, based on the increase in average wages in the economy (excluding self-employment earnings) each year. Table 1 summarizes the current payroll tax schedule:

TABLE 1.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR EMPLOYERS AND EMPLOYEES EACH AND TAXABLE EARNINGS BASES, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1980–90

Calendar year	Employee and employer rates, each (percent)					Taxable earnings base
	OASI	DI	OASDI combined	HI	OASDHI combined	
1980	4.520	0.560	5.080	1.050	6.130	$25,900
1981	4.700	.650	5.350	1.300	6.650	29,700
1982	4.575	.825	5.400	1.300	6.700	32,400
1983	4.575	.825	5.400	1.300	6.700	[1] 35,100
1984	4.575	.825	5.400	1.300	6.700	[1] 37,800
1985	4.750	.950	5.700	1.350	7.050	[1] 40,500
1986	4.750	.950	5.700	1.450	7.150	[1] 43,500
1990 and after	5.100	1.100	6.200	1.450	7.650	(1)

[1] Automatic increase based on statutory formula and CBO's February, 1982 economic assumptions for 1983–86; CBO projections do not extend to 1990.

TABLE 2.—CURRENT LAW SOCIAL SECURITY PAYROLL TAX RATES FOR SELF-EMPLOYED INDIVIDUALS, BY INDIVIDUAL AND COMBINED TRUST FUNDS, 1980–90

Calendar year	OASI	DI	OASDI combined	HI	OASDHI combined
1980	6.2725	0.7775	7.05	1.05	9.30
1981	7.0250	0.9750	8.00	1.30	9.30
1982–84	6.8125	1.2375	8.05	1.30	9.35
1985	7.1250	1.4250	8.55	1.35	9.90
1986	7.1250	1.4250	8.55	1.45	10.00
1990 and after	7.6500	1.6500	9.30	1.45	10.75

In 1940, approximately 24 million persons worked in employment covered by the social security system. Over the years, major categories of workers were brought under the system, such as State and local government employees (on a voluntary basis), regularly employed farm and domestic workers, members of the armed services, and self-employed professionals such as physicians and lawyers. In 1981, over 88 million workers and 95 percent of all jobs in the United States were covered under social security. The present law social security wage base, as revised by the 1977 Amendments and updated automatically according to wage increases in the economy, provides that about 90 percent of all covered earnings are taxable. Table 3 shows the social security taxes paid by workers at various wage levels in selected years from 1960 through 1990.

TABLE 3.—SOCIAL SECURITY TAXES PAID BY WAGE AND SALARIED WORKERS, IN SELECTED YEARS, 1960–90

	Amount of worker's social security tax liability in calendar years						
	1960	1970	1975	1981	1982	1986 [1]	1990 [1]
Worker with annual wages of:							
$5,000	$144	$240.00	$292.50	$332.50	$335.00	$357.50	$382.50
$10,000	144	374.00	824.85	665.00	670.00	715.00	765.00
$20,000	144	374.00	824.85	1,330.00	1,340.00	1,430.00	1,530.00
$30,000	144	374.00	824.85	1,975.05	2,010.00	2,145.00	2,295.00
$40,000	144	374.00	824.85	1,975.05	2,170.80	2,860.00	3,060.00
$50,000	144	374.00	824.85	1,975.05	2,170.80	3,346.20	3,825.00

[1] Based on 1986 and 1990 taxable earnings bases of $46,800 and $61,500 projected under the intermediate II–B assumptions of the 1981 trustees' report, adjusted for a difference between the estimated and actual earnings base which occurred in 1982.

Source: Congressional Research Service.

While coverage is compulsory for most types of employment, approximately 8 million jobs are exempt from coverage under social security. The majority of these noncovered positions are in the Federal Government, whose employees are not generally allowed to participate in social security, and in State and local governments and non-profit organizations, which participate in social security on a voluntary basis. About 75 percent of State and local government jobs (9 million out of 12.5 million jobs), and about 90 percent of non-profit organization jobs are covered; Table 4 shows State-by-State data on State and local government jobs covered as of March 1978.

TABLE 4.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1978

[Number of jobs in thousands]

State (ranked by number of jobs)	Number of jobs	Number of jobs covered	Percent covered
Total	12,889	9,230	72
1. California	1,400	597	43
2. New York	1,089	1,015	93
3. Texas	754	430	57
4. Illinois	605	233	38
5. Ohio	575	0	0
6. Pennsylvania	572	572	100
7. Michigan	564	505	89
8. Florida	497	415	83
9. New Jersey	427	427	100
10. North Carolina	344	315	92
11. Massachusetts	330	0	0
12. Georgia	327	273	84
13. Virginia	321	314	98
14. Indiana	292	260	89
15. Wisconsin	276	260	94
16. Missouri	266	198	74
17. Minnesota	254	181	71
18. Tennessee	253	218	86
19. Maryland	252	252	100
20. Lousiana	234	54	23
21. Washington	231	231	100
22. Alabama	214	214	100
23. Colorado	185	42	23
24. Iowa	182	169	93
25. South Carolina	181	176	97
26. Kentucky	179	132	74
27. Oklahoma	173	149	86
28. Oregon	162	153	95
29. Connecticut	161	101	63

TABLE 4.—ESTIMATES OF SOCIAL SECURITY COVERAGE OF STATE AND LOCAL GOVERNMENT JOBS, MARCH 1978—Continued

[Number of jobs in thousands]

State (ranked by number of jobs)	Number of jobs	Number of jobs covered	Percent covered
30. Kansas	159	144	90
31. Arizona	155	146	94
32. Mississippi	145	140	97
33. Arkansas	115	114	99
34. Nebraska	110	105	95
35. West Virginia	107	103	96
36. Utah	87	76	88
37. New Mexico	84	71	85
38. Maine	67	24	36
39. Montana	66	50	75
40. Hawaii	58	42	72
41. Idaho	58	55	96
42. Rhode Island	52	38	73
43. New Hampshire	49	47	96
44. South Dakota	49	41	85
45. Nevada	48	3	6
46. North Dakota	47	37	80
47. Delaware	37	23	63
48. Wyoming	33	32	95
49. Alaska	33	24	74
50. Vermont	29	26	90

Source: Social Security Administration, Office of Research and Statistics, Research and Statistics Note No. 10 Sept. 17, 1980.

Groups covered on a voluntary basis are allowed to withdraw from the program after giving two years' notice to the Social Security Administration and the Internal Revenue Service. Once an entity has terminated coverage, it cannot become covered again in the future. From 1959 through 1981, approximately 800 entities have terminated coverage, involving approximately 151,000 employees (these entities include only one State government, Alaska). When coverage of a group of employees is terminated, the employees retain the quarters of coverage they have already earned, so that in many cases employees still qualify for social security retirement benefits even though they are no longer paying taxes into the system.

Currently, there are 307 pending termination requests from State and local governments, involving approximately 135,500 employees; these requests can be withdrawn at any time during the 2-year waiting period until the end of the year in which the termination would be effective. Since 1977, 160 such requests involving 515,461 employees have been withdrawn.

HISTORY OF FINANCING STRUCTURE

Current cost funding

The social security system has been financed from its inception on a "pay-as-you-go" basis; i.e., current income to the system pays for current benefits. If the system were to be "advance funded" (i.e., reserves adequate to pay all benefits to which current workers and beneficiaries are entitled), an enormous amount of capital would have to be held by the trust funds in the form of public or private debt obligations. It has been thought preferable to avoid having the Federal Government hold such large amounts of public or private capital; therefore, financing has been provided through congressionally approved payroll tax increases from time to time based on projections of the current revenues needed to meet current benefit costs. While such projections covered periods of 50 to 75 years into the future, they typically did not envision tax increases going into effect until they were actually needed to meet the immediate benefit expenditures of the time. Table 5 provides a summary of major past increases in tax rates in the program.

TABLE 5.—SELECTED TAX TABLE AND WAGE BASE INCREASES, 1937–81

	Wage base	Contribution rate (percent) employer/employee each			
		Total	OASI	DI	HI
1937	$3,000	1.0	1.0		
1950	3,000	1.5	1.5		
1955	4,200	2.0	2.0		
1959	4,800	2.5	2.25	0.25	
1966	6,600	4.2	3.5	.35	0.35
1970	7,800	4.8	3.65	.55	.60
1974	13,200	5.85	4.375	.575	.90
1978	17,700	6.05	4.275	.775	1.00
1979	22,900	6.13	4.33	.75	1.05
1981	29,700	6.65	4.525	.825	1.30

Impact of indexing benefit structure

In 1972, Congress approved both a major one-time OASDI benefit increase of 20 percent and a new system for increasing OASDI benefits automatically each year according to increases in the cost of living, beginning in 1975. Before this method of automatic indexing was enacted, benefit increases were approved on an ad hoc basis, and financing was reexamined each time to assure revenues were adequate to meet benefit payments. In fact, financing was based on conservative estimates of the general performance of the economy—a "level-earnings" methodology, which assumed that the only future increase in revenues to the trust fund would come from growth in total covered wages resulting from having more workers in the economy as the population increased.

This methodology repeatedly produced unplanned surpluses under existing tax rates, as the economy expanded and the level of wages increased at the same time as the total number of workers increased. The financing of the expansion of benefits and benefit levels throughout the 1960's was largely based on these projections of surpluses in the funds.

With the advent of indexation of OASDI benefits, it became necessary to base projections of trust fund experience on dynamic economic assumptions; i.e., assuming increases in inflation and wage levels in order to more accurately reflect the future rise in benefit levels and the wage base that would occur automatically. Retaining the old system of static economic assumptions could have resulted in underestimating program costs and revenues. However, use of dynamic assumptions in conjunction with a fully indexed benefit structure means that projections of program experience are much more difficult to make accurately, because the benefit levels and trust fund income as well as every set of economic assumptions are highly sensitive to changing economic conditions, particularly near-term fluctuations.

At the time indexing was introduced in 1972 (including automatic increases both in benefit levels and in the wage base), projections based on what appeared at the time to be reasonable economic assumptions showed the program was adequately financed over the whole 75-year period. However, those assumptions proved to be extremely optimistic. Table 6 compares the forecasts in 1972 and 1973 for the period 1972–1980 with actual experience.

TABLE 6.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1972–73 FORECASTS

[Key economic indicators (in percent)]

Calendar year	CPI increase			Real wage differential			Unemployment rate		
	Estimated in		Actual	Estimated in		Actual	Estimated in		Actual
	1972	1973		1972	1973		1972	1973	
1972	2.75	....	3.3	2.25	....	4.0	4.2	....	5.6
1973	2.75	3.3	6.2	2.25	2.9	.7	4.2	4.5	4.9
1974	2.75	3.3	11.0	2.25	2.9	−3.5	4.2	4.5	5.6
1975	2.75	3.3	9.1	2.25	2.9	−2.5	4.2	4.5	8.5
1976	2.75	3.3	5.8	2.25	2.9	2.5	4.2	4.5	7.7
1977	2.75	2.75	6.5	2.25	2.9	.4	4.2	4.5	7.0
1978	2.75	2.75	7.6	2.25	2.25	.5	4.2	4.5	6.0
1979	2.75	2.75	11.5	2.25	2.25	−3.1	4.2	4.5	5.8
1980	2.75	2.75	13.5	2.25	2.25	−5.0	4.2	4.5	7.1

Source: Ways and Means Committee Print, 96–75.

As is evident from this table, the 1972 and 1973 forecasts assumed a fairly static economy, with low rates of increase in the CPI and unemployment, and steady growth in real wages, similar to that experienced in the 1950's and 1960's. Actual experience was not only much worse than the projections, it was much more volatile, reflecting the impact of unprecedented events such as the drastic increase in energy costs. Most important in these assumptions is the rate of growth of real wages: the higher inflation rate would not by itself have had a severe impact on the program's financing if the overall economy had grown at a higher rate, a change reflected in real wage growth (the difference between the increase in wages and the increase in prices).

Compounding this difficulty in predicting economic patterns was an unintended effect of the way automatic benefit increases were applied to existing and new benefits, which caused benefits to increase much more rapidly, in comparison to pre-retirement earnings, than had been anticipated. Thus, at the same time as the economy was performing more poorly than had been predicted, it was realized that benefits would rise with the automatic provisions more rapidly than anticipated. Beginning with its report of 1973, the Social Security Board of Trustees repeatedly forecast an adverse financial situation for the program both in the near-term (late 1970's and early 1980's) and the long-run, i.e. until the middle of the next century. The short-term forecast of the 1977 Trustees' Report showed DI fund reserves falling to zero in late 1978, and OASI reserves being used up by 1983; the same report showed a long-term deficit for OASDI (over the 75-year period) of 8.2 percent of taxable payroll, which represented an average shortfall in revenues of more than 40 percent of the costs of the program.

Effect of the 1977 amendments

As a result of these projections the Congress enacted the 1977 amendments, which improved forecasts of the financial condition of the program significantly. At the time of enactment, the Social Security actuaries projected that the OASDI program would be in a surplus position through the next 25-year period. The improved short-run outlook was brought about by legislated changes on the revenue side, estimated at that time to add some $80 billion in new revenues to the OASDI programs in the 1978–83 period, as well as changes in benefits resulting in net reductions of outgo of $7.5 billion during that same period.

The revenue increases were the result of: (1) ad hoc increases in the taxable earnings base above the increases that would have occurred automatically; (2) a reallocation to OASDI of a portion of the already scheduled increases in the HI tax rate; (3) increases in the overall OASDI tax rate beginning in 1980; and (4) increases in the self-employment tax rate bringing it up to 1½ times the employee rate. The principal benefit changes affecting outgo included (among other provisions): (1) revamping of the OASDI benefit formula to eliminate overcompensation for inflation in the future—referred to as the "decoupling" provisions; (2) correction of a major technical flaw in computing benefit increases for early retirees; and (3) elimination of retroactive benefits in cases where reduced benefits would result. According to the estimates at the time the 1977 amendments were adopted, the amendments improved the long-range financial condition by reducing the projected deficit of 8.2 percent of taxable payroll to 1.46 percent of taxable payroll, representing an average revenue shortfall over the 75-year period of less than 10 percent of the costs of the program.

While the 1977 amendments included major future tax increases and a 25-percent reduction in future benefits, the full effect of these changes was delayed until 1981 and later. (For example, from 1978 through 1980, less than $17 billion in new revenues were realized as a result of the 1977 amendments, mainly from the ad hoc increases in the wage base, since the major tax increases were scheduled for 1981 and later.) At the time the amendments were enacted, it was known that the safety margin provided in the early years would not be very great, but the system at that point had reserves of $40 billion, which were thought to be sufficient to insure benefit payments until the additional revenues from the major tax increases could be realized.

However, economic conditions since 1977 have proved to be substantially worse than previously predicted, as indicated in Table 7; each percentage point in the CPI increase costs the trust funds about $1.5 billion, so that the 1980 increase alone cost about $13 billion more than predicted. As a result, benefit increases raised trust fund outlays beyond expectations at precisely the time real wages were declining and unemployment was increasing, so that revenues did not keep pace with outlays. During this period, therefore, trust fund reserves as a percentage of yearly benefit outlays have declined.

TABLE 7.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1977 FORECAST [1]

[Key economic indicators (in percent)]

Calendar year	CPI increase		Real wage differential		Unemployment rate	
	Estimated	Actual	Estimated	Actual	Estimated	Actual
1977	6.0	6.5	2.4	0.4	7.1	7.0
1978	5.4	7.6	2.7	0.5	6.3	6.0
1979	5.3	11.5	2.5	−3.1	5.7	5.8
1980	4.7	13.5	2.4	−5.0	5.2	7.1
1981	4.1	10.3	2.3	−1.6	5.0	7.6

[1] The 1977 forecast was based on the intermediate set of assumptions in the 1977 trustees' report. Source: Ways and Means Committee Print, 96–75.

Impact of the 1980 and 1981 amendments

The Trustees' Report of 1980 showed that under the tax rates established by the 1977 amendments, reserves in the OASI fund were expected to be insufficient to meet benefit payments before the end of calendar year 1981. Reserves in the DI fund, however, were expected to increase steadily in the future, even under pessimistic economic assumptions, as a result of the enactment of the Disability Amendments of 1980, and of the recent experience of the DI program which was much more favorable than had been predicted at the time of the 1977 amendments.

Public Law 96-403, enacted in 1980, provided for a reallocation of taxes between the two funds for two calendar years only, 1980 and 1981. This was expected to maintain sufficient reserves in the OASI fund to pay benefits through the end of 1981, giving Congress time to take further remedial action. A comparison of the allocation rates for the OASI and DI trust funds as amended by this action is contained in table 8.

TABLE 8.—REALLOCATION OF TAX RATE SCHEDULE BETWEEN OASI AND DI UNDER PUBLIC LAW 96-403

[Percent of taxable earnings]

Calendar years	Total for OASDI [1]	Allocated rates under prior law		Reallocated rates under Public Law 96-403	
		OASI	DI	OASI	DI
Employers and employees each:					
1980	5.08	4.330	0.750	4.520	0.560
1981	5.35	4.525	.825	4.700	.650
Self-employed persons:					
1980	7.05	6.0100	1.0400	6.2725	.7775
1981	8.00	6.7625	1.2375	7.0250	.9750

[1] The total OASDI tax rates under Public Law 96-403 remained the same as under prior law.

The 1981 Trustees' Report showed that assets of the OASI fund would become insufficient to pay benefits when due in the latter half of 1982, under all alternative sets of economic assumptions. In contrast, the DI fund was projected to increase in every year after 1981 throughout the 75-year projection period. The HI trust fund was projected to maintain reserves at or above 50 percent through 1987, although at that point reserves would begin to decline.

As a result, as part of the 1981 amendments to restore the social security minimum benefit which had been eliminated by the 1981 Reconciliation Act, Congress enacted a limited borrowing authority among the three trust funds financed by the payroll tax (OASI, DI and HI). Prior to this law, no funds could be transferred from any one of the funds to another; Public Law 97-123 gave the Managing Trustee (the Secretary of the Treasury) the authority to transfer such sums as are necessary to insure benefit payments from one fund to another. The timing and amounts of the loans, and the repayment procedures, are largely at the discretion of the Managing Trustee, but the borrowing authority is effective only through December 31, 1982. Furthermore, the statement of managers in the conference report on the bill states that in no case can any interfund borrowing action be sufficient to insure benefit payments longer than 6 months beyond the date of the action. This means that the current law allows additional funds to be transferred to the OASI fund sufficient to guarantee benefit payments only through June 1983.

CURRENT STATUS OF THE TRUST FUNDS

An assessment of the status of the trust funds depends heavily on the economic assumptions underlying the estimates, because the level of revenue and benefit payments in the OASDHI system are so directly dependent on economic factors such as general inflation, increases in health care costs, and wage growth. When the annual reports of the Board of Trustees for OASDI and HI are published each spring, forecasts of trust fund operations are made under three sets of economic assumptions—optimistic, pessimistic, and intermediate. In 1981 the Trustees published five sets of short range assumptions: the traditional three plus a second intermediate set (II-A) which corresponded to the assumptions underlying the President's economic program, and worst-case set, which was used in developing the Administration's proposals of May 1981 for reforming the social security program.

Historically, both the Congress and the Administration have based analysis of the financial condition of the trust funds on the intermediate assumptions. However, for the periods 1972, 1973 and 1977 to 1980, actual economic performance fell more closely within the range of the estimated pessimistic assumptions. Therefore, in addition to the latest forecasts of the Administration and CBO issued in February 1982, a set of trust fund projections has been prepared at the request of the Committee staff based on Data Resource Incorporated's (DRI) "deep recession" assumptions. While the first two forecasts extend through 1987, the DRI forecast only through 1984.

Table 9 summarizes the key economic assumptions contained in President Reagan's fiscal year 1983 budget and compares them with the assumptions underlying CBO's baseline 1982 forecast and the DRI "deep recession" forecast. Tables 10 through 12 summarize the estimated operations of the OASDHI trust funds for the years 1982 through 1987 according to the President's budget and CBO economic assumptions, and through 1984 according to DRI assumptions.

TABLE 9.—COMPARISON OF THE ECONOMIC ASSUMPTIONS UNDERLYING TRUST FUND PROJECTIONS BASED ON PRESIDENT REAGAN'S 1983 BUDGET, CBO'S BASELINE FEBRUARY 1982 ESTIMATES, AND A PESSIMISTIC PATH DEVELOPED FROM DRI'S "DEEP RECESSION" MODEL,[1] CALENDAR YEARS 1981–87

	1981	1982	1983	1984	1985	1986	1987
Percent change in real GNP:							
President's budget	1.9	0.2	5.2	5.0	4.7	4.4	4.3
CBO	1.9	−.1	4.4	3.6	3.5	3.5	3.5
Pessimistic[2]	2.0	−3.2	5.6	5.4	NA	NA	NA
Unemploymnent rate:							
President's budget	7.6	8.9	7.9	7.1	6.4	5.8	5.4
CBO	7.6	8.9	8.0	7.4	7.2	6.9	6.7
Pessimistic[2]	7.6	10.1	9.5	7.8	NA	NA	NA
Percent change in CPI:							
President's budget	10.3	7.2	6.0	4.6	4.8	4.6	4.5
CBO	10.3	7.5	6.9	6.9	6.4	6.0	5.7
Pessimistic[2]	10.2	6.4	6.0	6.6	NA	NA	NA
Percent change in covered wage:							
President's budget	8.7	8.6	6.3	5.6	7.4	7.3	7.1
CBO	8.7	7.9	7.0	7.3	7.0	7.2	7.2
Pessimistic[3]	8.7	5.0	7.6	7.3	NA	NA	NA
Real wage differential:							
President's budget	−1.6	1.4	.3	1.0	2.6	2.7	2.6
CBO	−1.6	.4	.1	.4	.6	1.2	1.5
Pessimistic[3]	−1.5	−1.4	1.6	.7	NA	NA	NA
Benefit increase (percent):							
President's budget	11.2	8.1	6.5	4.8	4.8	4.6	4.5
CBO	11.2	8.5	6.5	7.2	6.5	6.1	5.8
Pessimistic[3]	11.2	8.1	5.1	6.9	NA	NA	NA

[1] Economic assumptions developed from DRI's model DEEPRECESS012882.

[2] Assumption contained in DRI model.

[3] Program variable developed by the Office of Research and Statistics, Social Security Administration, from the basic assumptions of the DRI model at the request of the committee staff.

Source: Social Security Administration, Office of Research and Statistics, and Congressional Budget Office.

TABLE 10.—ESTIMATED OPERATION OF THE OASI, DI, HI AND OASDHI TRUST FUNDS BASED UPON PRESIDENT'S 1983 BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal years					
	1982	1983	1984	1985	1986	1987
Old age and survivors insurance:[1] [2]						
Outlays	138.2	152.7	166.6	179.8	193.1	207.5
Income	130.1	144.1	147.7	163.7	179.7	194.3
Year-end balance	15.8	7.2	−11.8	−27.9	−41.3	−54.5
Start-of-year balance (as percent of outlays)	17.0	10.0	4.0	−7.0	−14.0	−20.0
Disability insurance:[1]						
Outlays	18.4	18.9	19.6	20.4	21.4	22.6
Income	22.0	19.4	28.8	35.5	41.5	46.3
Year-end balance	6.9	7.4	16.6	31.8	51.9	75.6
Start-of-year balance (as percent of outlays)	18.0	37.0	38.0	81.0	148.0	230.0
Hospital insurance:						
Outlays	34.3	39.5	45.0	51.7	59.1	67.4
Income	38.7	42.2	45.7	50.9	58.6	64.4
Year-end balance	22.5	25.2	26.0	25.2	24.7	21.7
Start-of-year balance (as percent of outlays)	53.0	57.0	56.0	50.0	43.0	37.0
Combined OASI, DI, and HI:[2]						
Outlays	190.9	211.1	231.2	251.9	273.6	297.5
Income	190.8	205.7	222.2	250.1	279.8	305.0
Year-end balance	45.2	39.8	30.8	29.0	35.2	42.7
Start-of-year balance (as percent of outlays)	24.0	21.0	17.0	12.0	11.0	12.0

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[1] The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of $6.4 billion from the DI Trust Fund to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123 according to the maximum possible interpretation of the law as requested by committee staff.

[2] The estimated operations for OASI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

Source: Office of the Actuary, Social Security Administration and Office of the Actuary, Health Care Financing Administration.

TABLE 11.—ESTIMATED OPERATIONS OF THE OASI, DI, HI, AND OASDHI TRUST FUNDS BASED UPON CBO 1983 BASELINE BUDGET ASSUMPTIONS

[In billions of dollars]

	Fiscal years					
	1982	1983	1984	1985	1986	1987
Old age and survivors insurance:						
Outlays	139.3	153.7	167.4	182.7	198.4	214.4
Income [1]	128.7	136.7	149.4	167.7	184.6	200.5
Year-end balance	13.3	−3.7	−21.7	−36.7	−50.5	−64.4
Start-of-year balance (as percent of outlays)	17.1	8.6	−2.2	−11.9	−18.5	−23.6
Disability insurance:						
Outlays	18.8	20.0	20.9	21.6	22.3	23.6
Income [1]	21.8	25.4	28.4	35.0	40.6	45.6
Year-end balance	6.5	11.9	19.3	32.7	51.0	73.0
Start-of-year balance (as percent of outlays)	18.1	32.3	56.7	89.3	146.7	216.1
Hospital insurance:						
Outlays	34.3	40.0	46.3	53.1	60.6	69.1
Income [1]	38.0	41.3	45.1	50.1	57.4	62.8
Year-end balance	21.8	23.2	22.0	19.0	15.8	9.5
Start-of-year balance (as percent of outlays)	52.8	54.6	50.1	41.4	31.3	22.8
Combined OASI, DI, and HI:						
Outlays	192.3	213.6	234.6	257.4	281.3	307.2
Income [1]	188.5	203.5	222.8	252.8	282.6	308.9
Year-end balance [2]	41.5	31.4	19.6	15.0	16.3	18.0
Start-of-year balance (as percent of outlays)	23.6	19.4	13.4	7.6	5.3	5.3

[1] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances, and certain general fund transfers.

[2] Income and outgo figures do not reflect any transfers from the DI and Hi funds to the OASI fund as authorized under Public Law 97–123.

Note: Minus sign denotes a deficit.

Source: Congressional Budget Office. Based on CBO's baseline economic assumptions.

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI AND OASDHI TRUST FUNDS BASED UPON DRI DEEP RECESSION ALTERNATIVE [1]

[In billions of dollars]

	Fiscal year 1982 to 1984		
	1982	1983	1984
Old age and survivors insurance: [2] [3]			
Outlays	138.2	152.3	165.3
Income	126.3	146.2	144.7
Year-end balance	11.9	5.8	−14.9
Start-of-year balance (as percent of outlays)	17.0	8.0	3.0
Disability insurance: [2]			
Outlays	18.5	18.9	19.4
Income	21.1	19.2	27.6
Year-end balance	6.0	6.3	14.5
Start-of-year balance (as percent of outlays)	18.0	32.0	33.0
Hospital insurance: [2]			
Outlays	34.3	39.6	45.8
Income	37.4	30.7	44.5
Year-end balance	21.2	12.3	11.1
Start-of-year balance (as percent of outlays)	53.0	54.0	27.0
Combined OASI, DI, and HI: [3]			
Outlays	190.9	210.7	230.5
Income	184.7	196.0	216.8
Year-end balance	39.1	24.4	10.7
Start-of-year balance (as percent of outlays)	24.0	19.0	11.0

[1] Alternative pessimistic path based on economic assumptions developed from DRI's model DEEPRECESS 012882 by the Office of Research and Statistics, Social Security Administration at the request of committee staff.

[2] The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of $5.3 billion from the DI Trust Fund and $9.6 billion from the HI Trust Fund to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123, according to the maximum possible interpretation of the law as requested by committee staff.

[3] The estimated operations for OASI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

Source: Office of the Actuary, Social Security Administration, and Office of the Actuary, Health Care Financing Administration.

Appropriate reserve levels

In any period when income to a trust fund is less than benefit payments from trust fund, the fund's reserves must be used to pay benefits. Because the payroll tax that provides almost all income is fixed, and cannot be adjusted without legislation to meet trust fund revenue needs, the reserve levels in each fund must be adequate to meet benefit payments during periods of economic downturn when outlays are likely to exceed income.

The level of reserves needed to guarantee benefit payments varies according to circumstances: if the economy appears to be entering a recession or prolonged downturn, higher reserve levels are needed; if a recovery or boom period is anticipated, lower reserve levels are needed. In order to insure that benefits in OASDI will be paid, reserves at least sufficient to pay one month's benefits (9 percent of the year's benefit outlays) must be on hand at all times, because benefits are all paid at once at the beginning of the month while payroll tax revenues flow in throughout the month.

However, the OASDI actuaries have expressed the view that to insure that this monthly level stays at 9 percent each month, reserves of at least 13 percent should be maintained at the beginning of any year to allow for a 4 percent fluctuation in revenues and outlays, and for estimating error during the year. This target depends as well on how optimistic the economic assumptions are: a 13 percent reserve is sufficient only if relatively pessimistic assumptions are used, since at that level there would be no reserve cushion against an unexpected economic downturn. If more optimistic assumptions are used, a higher reserve level—e.g., 20 percent—would be more appropriate.

The appropriate level of reserves for HI is more difficult to pinpoint because HI outlays are more unpredictable than OASDI outlays over the course of a year. Medicare hospital expenditures depend on the actual costs of hospital care which fluctuate constantly, and outlays from the trust fund are made whenever hospitals present their bills to the agency. Because of these factors, the HI actuaries have expressed the view that reserves in excess of 13 percent, probably closer to 20 percent, should be maintained.

Because the trust funds are financed through a fixed payroll tax, considerable lag-time can result between enactment of increases in the tax and the actual infusion of increased revenues, since tax receipts are spaced out over the course of the year. When the reserves at the beginning of a year are adequate but extremely low, as is the case in 1983 for example, the end-of-year reserve level must also be noted. If reserves decline to an unsafe level over the course of the year, for example to a bare minimum of 9 percent as estimated by CBO for the beginning of calendar 1984, increased tax revenues or decreased benefit payments beginning with January 1984 may not have a large enough impact soon enough to prevent cash flow problems.

Short-term estimates of reserves

At the beginning of fiscal year 1982, the combined reserves of all three funds stood at about 24 percent. The interfund borrowing provisions of Public Law 97–123 allows the Managing Trustee to transfer reserves into the borrowing fund only to the extent necessary to insure benefits for 6 months after December 31, 1982, i.e., June 1983. Because the trust funds are beginning the 5-year forecasting period with a low level of reserves, the first 3 years, 1982–84, are of primary concern.

All three of the forecasts (Administration, CBO, and deep recession) show that the OASI trust fund has insufficient reserves to insure benefit payments beyond June or July 1983, when the effect of the limited interfund borrowing authority ceases. If the reserves of all three funds are considered together, the estimate of when the whole OASDHI system will have insufficient reserves to insure benefit payments (i.e., reserves below 9 percent) varies from the estimate based on the President's budget assumptions that the funds may be barely sufficient at 8 to 9 percent through calendar 1987, to CBO's estimate that the funds will fall below 9 percent early in calendar 1984 and the projection based on DRI's deep recession forecast of below 9 percent in calendar 1983.

The estimates used here are current law and current policy, and do not reflect any proposed limitations in medicare spending the Administration seeks to achieve either through legislative change or through regulation. The President's budget itself assumes such changes, and the dollar impact estimated for them is assumed to insure trust fund solvency through the 5-year period only with continuation of interfund borrowing.

As can be seen in all three sets of projections, the OASI fund, the largest of the three funds, paying out well over 80 percent of the system's cash benefits, is in serious financial condition under present law and financing throughout the 5-year period. In fact, there appears to be no sign of an upturn in experience during this period, as yearly deficits continue, according to CBO's estimates, beginning with a $1 billion shortfall between income and outlays in 1981 which increases to a $17 billion shortfall in 1983. This pattern is broken by the increase in revenues from the tax increases scheduled to go into effect in 1985 and 1986, as shortfalls for fiscal years 1986 and 1987 stabilize at $14 billion.

In contrast, the disability insurance fund builds up reserves during this period, beginning in 1982 with a $3 billion surplus, and increasing by 1987 to a yearly surplus of $22 billion. These increases build DI reserves to over 200 percent, or 2 years' worth of benefits by the beginning of 1987, and no downturns in reserves are foreseeable in the near future. The CBO estimates do not reflect the impact of borrowing by the OASI fund from the DI and HI funds at the end of 1982 to insure benefit payments through June 1983, as provided by Public Law 97-123. If the interfund borrowing authority were exercised to its maximum extent, as assumed in Tables 10 and 12, $5 to $6 billion from DI and HI reserves would be transferred to OASI in December 1982 to bring reserves up to 9 percent through June 1983.

Under CBO's estimates, the HI fund begins the period with reserves of around 50 percent, but that level declines beginning in fiscal year 1983, down to less than 25 percent in fiscal year 1987. This continuing decline, despite the tax increases scheduled for 1985 and 1986, indicates future severe financing problems for the HI fund, as projected by 1981 Trustee's report, which indicated the fund would be insolvent early in the 1990's under intermediate economic assumptions.

Table 13 compares the combined old age and survivors, disability and hospital insurance trust fund reserve ratios (reserves as a percent of the year's outlays) at the beginning of each fiscal year during the projection period under each of the three economic scenarios. Table 14 illustrates the dollar amounts needed each year to maintain the combined OASDHI fund at 17 percent under each scenario.

TABLE 13.—COMBINED OLD AGE AND SURVIVORS, DISABILITY AND HOSPITAL INSURANCE RESERVE RATIOS (AS A PERCENT OF THE YEAR'S OUTLAYS) AT THE BEGINNING OF EACH FISCAL YEAR UNDER PRESIDENT'S BUDGET, CBO, AND DEEP RECESSION ECONOMIC ASSUMPTIONS

[In percent]

Economic assumptions	Fiscal year—					
	1982	1983	1984	1985	1986	1987
President's budget	24.0	21.0	17.0	12.0	11.0	12.0
CBO	23.6	19.4	13.4	7.6	5.3	5.3
Deep recession[1]	24.0	19.0	11.0	N/A	N/A	N/A

[1] Alternative pessimistic path based on economic assumptions developed from DRI's model DEE-PRECESSO12882 by the Office of Research and Statistics, Social Security Administration at the request of committee staff.

TABLE 14.—DOLLAR AMOUNTS NEEDED DURING EACH FISCAL YEAR (ADDITIONAL REVENUES) TO MAINTAIN COMBINED OASDHI TRUST FUNDS AT A 17 PERCENT LEVEL UNDER EACH ECONOMIC SCENARIO

[In billions of dollars]

Economic assumptions	Fiscal year—					
	1983	1984	1985	1986	1987	Total
President's budget		11.6	4.0			15.6
CBO[1]		8.5	15.6	8.7	3.1	35.9
Deep recession[2]	14.4	16.0	N/A	N/A	N/A	[3] 34.4

[1] CBO's figures require that the additional revenues be realized by the beginning of each fiscal year; e.g., that $8.5 billion would be added by the beginning of fiscal year 1984 (October 1983).

[2] Alternative pessimistic path based on economic assumptions developed from DRI's model DEE-PRECESSO12882 by the Office of Research and Statistics, Social Security Administration at the request of committee staff.

[3] Two-year total: DRI assumptions extend only through 1984, therefore only two years of shortfall amounts can be calculated.

Long Range Financing

The Social Security Act requirement for an annual report from the Board of Trustees includes a provision for a "statement of the actuarial status of the Trust Funds." To carry out this mandate, the Trustees' Report contains estimates of the financial condition of the OASDI program for a 75-year period into the future, typically arrayed in three 25-year segments, and of the HI program for 25 years into the future.

The long-range financial condition of the social security programs will be determined by three types of long-range factors: demographic factors such as rates of fertility, life expectancy, and labor force participation which determine how many workers there will be in the society in relation to non-working beneficiaries; economic factors such as unemployment, productivity, and inflation; and social security program factors, such as benefit levels, total number of covered workers, and percent of eligible workers drawing early retirement benefits. Tables 15 through 17 present selected assumptions contained in the 1981 Trustees' Report Intermediate II-B forecast, which represents the "best guess" of the actuaries on the future path of these factors.

It is clear that these factors cannot be predicted with any certainty as far into the future as 75 years, and the long-range projections should not be taken as absolute predictions of deficits or surpluses in the funds. The deficit projected for the long term—now 1.63 under II-B taking into account the legislation passed in 1981 (the Omnibus Reconciliation Act and the amendments to restore the minimum benefit and expand coverage of sick pay)—should be considered a statement of what would be likely to occur under a given set of assumptions, and as an indicator of a potential problem, rather than a reliable prediction of what will occur.

However, long-range projections, even given the uncertainty and imprecision of the assumptions which underpin them, are important in a program such as social security which is by its nature a long-term system. Many individuals now entering the work force and paying social security taxes will still be receiving benefits 75 years from now. Making such long-term projections requires early identification and analysis of the changes in population and other conditions which will affect the financial condition of the system. Such identification allows for gradual rather than sudden changes to be made, if necessary, to strengthen the program.

For example, the long-run deficit presented in the 1981 report is very similar to that projected in the 1980 report and has changed very little since the estimate made after passage of the 1977 amendments. It was explicitly acknowledged at the time that a deficit remained and that, although the amendments eliminated about 75 percent of the projected deficit, further changes would have to be made in the years to come if the long-term deficit projections held up over time.

TABLE 15.—MAJOR LONG-TERM DEMOGRAPHIC AND ECONOMIC ASSUMPTIONS

FERTILITY RATES

[1981 trustees' report II-B assumptions]

	1917	1933	1947	1957	1976	1981	1995	2005+
Children born per woman in her lifetime	3.33	2.17	3.18	3.69	1.74	1.86	2.00	2.10

LIFE EXPECTANCIES

[In years]

	1900	1940	1980	2020	2060
Male:					
At birth	47.9	61.6	69.8	73.8	75.4
Age 65	11.5	12.1	14.3	16.4	17.6
Female:					
At birth	50.7	65.9	77.7	82.1	84.1
Age 65	12.2	13.6	18.7	22.0	23.6

LABOR FORCE PARTICIPATION RATES

[In percent]

	1981	1985	1990	1995	2000+
Male	78.4	78.3	78.5	78.0	77.6
Female	52.1	55.7	58.7	59.5	60.3

COVERED WORK FORCE—NUMBER OF BENEFICIARIES AND DEPENDENCY RATIOS

	1960	1980	2000	2020	2040
Total population (in millions)	189	233	274	307	329
Covered workers	73	115	143	154	159
Beneficiaries	14	35	46	66	80
Dependency ratio [1]	.915	.753	.705	.765	.856
Worker/beneficiary ratio	5.1	3.3	3.1	2.3	2.0

[1] Ratio of non-working to working population—population under 20 plus population over 65 divided by population 20–64.

Source: Congressional Research Service.

TABLE 16.—PROGRAM FACTORS

[1981 trustees' report II–B assumptions]

PAST AND FUTURE BENEFIT LEVELS FOR AVERAGE EARNER

	Annual initial benefit	
	Actual dollars	1981 constant dollars
1955	$1,100	$3,900
1970	2,000	4,800
1990	10,500	5,800
2020	52,300	8,900
2055	340,500	14,600

PERCENT OF ELIGIBLE WORKERS DRAWING RETIREMENT BENEFITS

Selected ages	1981	1990	2000	2010 and later
62 to 64:				
Male	39.0	44.0	44.0	44.0
Female	51.0	53.7	54.4	[1] 54.7
65 to 69:				
Male	90.0	93.0	93.0	93.0
Female	87.5	91.1	92.3	[1] 93.0

[1] Rises very slightly after 2010.

PAST AND FUTURE REPLACEMENT RATES [1]

[In percent]

	1955	1970	1975	1980	1990	2020 and later
Low earner	50	43	60	64	56	54
Average earner	35	34	42	51	42	42
Maximum earner	33	29	30	33	25	29

[1] For age 65 retirees.

TABLE 17.—ECONOMIC ASSUMPTIONS (1981 TRUSTEES' REPORT II–B ASSUMPTIONS)

[In percent]

	Real GNP	CPI	Real wage differential	Unemployment
1960 to 1964	4.0	1.3	2.1	5.7
1970 to 1974	2.8	6.1	.2	5.4
1982	3.7	9.4	.2	7.5
1990	3.0	4.0	1.4	5.9
2000 and later	2.7	4.0	1.5	5.0

Source: Congressional Research Service.

The 1981 forecast shows that, under the II–B assumptions, OASDI reserves would build up over the medium-range, through 2015 or 2020, but that beginning around 2020 the entry of the post-World War II baby boom generation into the social security retirement program would cause the combined trust funds to decline in subsequent years and become exhausted. Table 18 shows the long-term costs of the OASDI and HI programs as the percent of taxable payroll that would have to be added to the current tax rate at these points in time to fund the systems, or conversely the amount of benefit reductions, in payroll terms, that would have to be made; e.g., a 12 percent reduction in benefits over the 75-year period in OASDI. As is clear from these tables, while the immediate 5-year forecasts show more severe problems for OASI, the longer range problems of the HI program arise sooner, by 1990, and become more severe than those of the OASDI program.

TABLE 18.—OASDI AND HI COSTS AS PERCENT OF TAXABLE PAYROLL COMPARED TO TAX RATE

	Costs	Tax rate	Difference (deficit or surplus)
OASDI:			
1982	11.23	10.8	−0.43
1990	11.61	12.4	+.79
2000	11.05	12.4	+1.35
2020	14.29	12.4	−1.89
2035	16.86	12.4	−4.46
2055	16.66	12.4	−4.26
75-year average	13.90	12.25	−1.65
HI:			
1982	2.33	2.6	+.27
1990	3.49	2.9	−.59
2000	5.35	2.9	−2.45
2005	6.27	2.9	−3.37
25-year average [1]	4.12	2.84	−1.28

[1] Long-range estimates for HI are made for a 25-year valuation period.

Source: Congressional Research Service; Office of the Actuary, Health Care Financing Administration.

It should be borne in mind that all of these estimates are extremely sensitive to even small changes in the long-term assumptions. Table 19 demonstrates how small changes in two assumptions, the fertility rate and the real wage differential, can have a significant impact on the long-range deficit. For example, a one-half percent decrease in the real wage differential will cause the long-run deficit to increase by 0.84 percent of taxable payroll.

TABLE 19.—SENSITIVITY OF OASDI COST ESTIMATES TO SELECTED ASSUMPTIONS

	Assumptions		
	Intermediate (II–b)	More optimistic	More pessimistic
Ultimate fertility rate:			
Children per woman	2.1	2.4	1.7
Effect on costs		−.72[1]	[1] +1.19
Real-wage differential:			
Difference between wage and price increases in percent	1.5	2.0	1.0
Effect on costs		−.77[1]	[1] +.84

[1] Expressed as percent of taxable payroll: (−) signifies cost reduction, (+) signifies increase. Intermediate assumption in 1981 trustees report. Long-run deficit under intermediate assumptions is 1.65 percent of payroll, post reconciliation.

Source: Congressional Research Service.

Section 6. Trade Adjustment Assistance

Trade Adjustment Assistance Program for Workers

Sections 221 through 250 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefit allowances, and administrative provisions of the trade adjustment assistance (TAA) program for workers laid off as a result of increased import competition. This entitlement program was first established under the Trade Expansion Act of 1962 for the purpose of assisting in the special adjustment problems of workers dislocated as a result of a Federal policy of encouraging increased foreign trade. The Omnibus Budget Reconciliation Act of 1981 (OBRA), Public Law 97-35, changed the program significantly as proposed by the Administration. The amendments, particularly in program eligibility and benefits, were intended to reduce program cost significantly and to shift its focus from income compensation for temporary layoffs to return to work through training and other adjustment measures for the long-term or permanently unemployed. Most amendments became effective on October 1, 1981. The program was extended for one year to terminate on September 30, 1983.

Trade adjustment assistance consists of trade readjustment allowances, employment services, training and extended TRA allowances while in training, and job search and relocation allowances for certified and otherwise qualified workers. The program is now administered by the Employment and Training Administration (ETA) of the Department of Labor through State employment security agencies under cooperative agreements between each State and the Secretary of Labor. ETA processes petitions and issues certifications or denials of petitioning groups of workers eligibility to apply for TAA. The State agencies act as Federal agents in processing applications and determining individual worker eligibility for benefits, issuing payments, and providing reemployment services and training opportunities.

CERTIFICATION REQUIREMENTS

A two-step process is involved in the determination of whether an individual worker will receive trade adjustment assistance: (1) certification by the Secretary of Labor of a petitioning group of workers in a particular firm as eligible to apply; and (2) approval by the State agency administering the program of the application for benefits of an individual worker covered by a certification.

The process begins by a group of three or more workers, their union, or authorized representative filing a petition with the ETA for group eligibility. To certify a petitioning group of workers as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm or subdivision of the firm have been or are threatened to be totally or partially laid off;
2. Sales and/or production of the firm or subdivision have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm or subdivision of the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A major amendment to the program under the OBRA strengthens the causal link between increased imports and worker layoffs and sales/production declines of the firm from "contributed importantly" to "a substantial cause," defined as a cause which is not only important but also "not less than any other cause," the same standard applied under the Trade Act for import relief to domestic industries. This stricter causation standard applies to petitions filed on or after February 9, 1982 (i.e., 180 days after enactment of the OBRA). The purpose of the change is to ensure a sufficient linkage between increased imports and the worker's unemployment to justify special benefits in addition to the unemployment insurance (UI) program. H.R. 4717 as amended by the Senate would maintain the "contributed importantly" standard until the program terminates at the end of fiscal year 1983.

TABLE 1.—NUMBER OF PETITIONS INSTITUTED AND CERTIFIED AND ESTIMATED NUMBER OF WORKERS PETITIONING AND CERTIFIED FOR TRADE ADJUSTMENT ASSISTANCE, TOTAL AND BY INDUSTRY FROM APRIL 1975 THROUGH DECEMBER 31, 1981

Year	Cases instituted		Cases certified		
	Petitions	Estimated workers	Petitions	Percent	Estimated workers
1975	528	210,948	122	50	55.113
1976	1,014	218,505	430	50	143,549
1977	1,289	228,691	411	42	144,085
1978	1,732	171,291	853	42	164,779
1979	2,119	318,105	844	41	219,465
1980	5,348	1,000,672	934	29	565,652
1981	1,133	175,962	258	10	28,293
Total	13,163	2,324,174	3,852		1,320,936

	Thousands
Total estimated number of workers certified	1,321
Industry:	
Automobiles	691
Apparel	143
Steel	132
Footwear	74
Electronics	58
Fabricated metal products	31
Textiles	25

Note.—Since the new program went into effect on October 1, 1981, through January 9, 1982, 115 cases have been instituted and 62 certified covering an estimated 5,233 workers compared to 888 cases instituted and 183 certifications covering an estimated 25,659 workers during the comparable period of 1980.

ELIGIBILITY REQUIREMENTS FOR TRADE READJUSTMENT ALLOWANCES

In order to receive a trade readjustment allowance (TRA) for any week of unemployment, an individual worker covered by a certification must file an application with his State employment security office and meet the following eligibility requirements:

1. His last total or partial layoff before application must have occurred not more than 1 year prior to the date of the petition, on or after the "impact date" (i.e., the date on which total or partial layoffs began or threatened to begin), within 2 years after the date the Secretary of Labor issued the certification covering the worker, and before the termination date (if any) of the certification; and
2. He was employed at least 26 of the 52 weeks preceding his last layoff in adversely affected employment with a single firm or subdivision thereof at wages of $30 or more per week.

Current law treats as a week of employment the week in which layoff occurs and up to 3 weeks of employer-authorized vacation, sick, injury, maternity, or military leave, or service as a union representative, up to 7 weeks of disability covered by workmen's compensation, or up to 7 weeks of leave and disability combined, of which no more than 3 weeks may consist of authorized leave. Under prior law, only weeks actually on the job were counted as qualifying weeks of employment.

In addition, the OBRA amended the program to include the following new TRA eligibility limitations:

1. Under the program prior to October 1, 1981, TRA benefits were a supplement to State unemployment insurance and paid concurrently during weeks the worker was eligible for UI. A fundamental change under the new program makes TRA benefits a continuation of the UI program by requiring the worker to exhaust all rights to UI, including any extended benefits (EB), to which he is entitled in his most recent benefit period before he becomes eligible for any TRA payments. The worker is also ineligible for TRA benefits for any subsequent week he is entitled to payment for any further UI or waiting period credit. This change is a major factor in the substantial reduction in the cost of the program and its reorientation to long-term and permanently unemployed workers.
2. All TRA claimants in all States are now subject to the provisions of the EB "suitable work" test under section 202(a)(3) of the Federal-State Extended Unemployment Compensation Act of 1970 after the end of their regular UI benefit period as a precondition for receiving any weeks of TRA payments. Previously, the EB work test applied only to TRA claimants in those States triggered "on" an extended benefit period. Workers are not disqualifed for TRA benefits if in State-approved training prior to eligibility or for any form of TAA because of subsequently leaving employment which is not of a substantially equal or higher skill and wage level than previous employment.
3. Workers are entitled to TRA payments only for weeks of unemployment which begin more than 60 days after the filing date of the petition, i.e. after the statutory deadline for certifi-

cation. Workers can continue to be certified for layoffs occurring up to one year prior to the petition filing date in order to qualify for other TAA benefits, but can no longer receive TRA payments retroactively beyond the date certification is supposed to take place. The purpose of this change was to reduce significantly the frequency and magnitude of retroactive lump sum payments to workers after their return to employment.

4. No TRA payment can be made for a UI waiting week.

5. As a further encouragement to reemployment, the Secretary of Labor may require all workers in a labor market area with certain economic characteristics to either accept training or to extend job search beyond their labor market area after their first 8 weeks of TRA eligibility and if they have been approved for training.

BENEFIT LEVELS AND DURATION

TRA benefits prior to October 1, 1981, were 70 percent of the worker's former gross weekly wage not to exceed the average weekly manufacturing wage (currently $289), reduced by the amount of his unemployment compensation entitlement, 50 percent of any part-time earnings, and certain training allowances paid under Federal law. Eligible workers could collect basic benefits for up to 52 weeks of unemployment during a maximum two-year period following layoff. Older workers age 60 or over or workers exhausting basic benefits while still in approved training programs could receive up to an additional 26 weeks of TRA payments, collectible during a maximum three-year period following layoff.

The following major changes of the OBRA, effective as of October 1, 1981, reduce program costs and are intended to remove reemployment disincentives associated with the previous high net wage replacement and the inequity in benefit amounts between import-impacted workers and workers laid off for other reasons:

1. The TRA weekly benefit amount is the same as, and a continuation of, the claimant's unemployment insurance weekly benefit amount during his most recent UI benefit period, reduced by any training allowance and disqualifying income deductible under UI law. This change has shifted the TRA benefit level from a uniform national standard to a State standard.

2. The total amount of basic TRA benefits payable to a worker is reduced to a maximum of 52 times the TRA allowance level for a week of total unemployment minus the total amount of UI regular and extended benefits payable in the worker's most recent benefit period (e.g., a worker receiving 39 weeks of UI regular and extended benefits could receive a maximum 13 weeks of TRA benefits). UI and TRA payments combined are limited to a maximum 52 weeks in all cases involving extended benefits. TRA basic benefits may be collected only during the 52-week period following the week in which the worker has exhausted all his rights to regular unemployment compensation in his most recent benefit period. The purpose of the shortened collection period is to reduce payment of TRA benefits during periods of non-trade-related unemploy-

ment. This change is another major cause of the substantial reduction in program cost.

3. Workers may receive up to 26 additional weeks of TRA benefits to assist in completing approved training, if the worker applies for the training program within 210 days (compared to 180 days previously) after certification or layoff, whichever date is later. The additional benefits may be collected only during the 26-week period (compared to 52-week period under the previous program) following the worker's last week of entitlement to basic TRA benefits. Older workers are no longer eligible for additional weeks of TRA benefits.

TABLE 2.—TOTAL OUTLAYS FOR TRADE READJUSTMENT ALLOWANCES, NUMBER OF RECIPIENTS, AVERAGE WEEKLY PAYMENTS AND DURATION, FISCAL YEARS 1976 THROUGH 1982

Fiscal year	Total outlays (millions)	Total number of recipients (thousands)	Average weekly payment per recipient	Average week's duration
1975 (4th quarter)	$71	47	$58	26.0
1976 [1]	79	62	46	27.3
1977	148	111	57	23.4
1978	257	156	68	24.3
1979	256	132	71	27.4
1980	1,622	532	127	24.1
1981	[2] 1,493	281	146	36.0
1982 (projected)	143	74	160	12.1

[1] Fiscal year 1976 is the first full year of experience under the program as amended by the Trade Act of 1974.

[2] Latest actual figures available as of February 3, 1982, compared to the President's budget figure of $1,481 million.

Notes.—The above figures relate only to trade readjustment allowances; administrative expenses and outlays for employment services, training, and job search and relocation allowances are not included.

Outlays for TRA payments under the new program in fiscal year 1982 to date (through the week ending January 9, 1982) total $44 million compared to $609 million during the similar period in fiscal year 1981. About 8,800 workers are currently claiming TRA benefits (in the week of January 9) compared to 175,000 claimants just before October 1, 1981.

Source: Department of Labor.

TRAINING AND OTHER EMPLOYMENT SERVICES, JOB SEARCH AND RELOCATION ALLOWANCES

Training and other employment services and job search and relocation allowances are available through State agencies to certified workers whether or not they have exhausted UI benefits and become eligible for TRA payments.

Employment services consist of counseling, vocational testing, job search and placement, and other supportive services, as appropriate.

Training, preferably on-the-job, *may* be approved for a worker if there is no suitable employment available; the worker would benefit from appropriate training; there is a reasonable expectation of employment following training completion; approved training is available from government agencies or private sources; and the worker is qualified to undertake and complete such training. While training itself is not an entitlement even if the above conditions are met, under current law if training is approved, a worker is entitled to payment of the costs. As a result, the Department of Labor has added administratively another condition prohibiting State agencies from approving training if sufficient funds have not been allocated to pay the costs or if the training is self-financed by the worker.

Supplemental assistance is available to defray reasonable transportation and subsistence expenses for separate maintenance when training is not within the worker's commuting distance. Under the OBRA the allowance was increased from 12 cents per mile and $15 per day to the lesser of actual per diem expenses or 50 percent of the prevailing Federal per diem rate for subsistence and prevailing mileage rates under Federal regulations for travel expenses.

Job search allowances are available to certified workers who cannot obtain suitable employment within their commuting area, are totally laid off, and apply within one year after certification or last total layoff, whichever is later, or within six months after concluding training. The OBRA increased the allowance for reimbursement from 80 percent to 90 percent of necessary job search expenses, based on the same increased supplemental assistance rates described above, up to a maximum amount increased from $500 to $600.

Relocation allowances are available to certified workers totally laid off at time of relocation who have been able to obtain an offer of or actual suitable employment only outside their commuting area, apply within 14 months after certification or last total layoff, whichever is later, or within six months after concluding training, and whose relocation takes place within 6 months after application or completion of training. The OBRA increased the allowance from 80 percent to 90 percent of reasonable and necessary expenses for transporting the worker, his family, and household effects, based on the same increased supplemental assistance rates described above, plus a lump sum payment of three times the worker's average weekly wage up to a maximum amount increased from $500 to $600.

TABLE 3.—TRAINING, JOB SEARCH, AND RELOCATION ALLOWANCES: TOTAL NUMBER OF WORKERS AND OUTLAYS, FISCAL YEARS 1976 THROUGH 1981

Fiscal year	Total number			Total outlays (millions)[1]		
	Entered training	Job searches	Relocations	Training	Job searches	Relocations
1975 (4th quarter)	463	158	44			
1976	823	23	26	(2)	(2)	(2)
1977	4,213	277	191	(3)	(3)	(3)
1978	8,337	1,072	631	$15.5	$0.1	$0.6
1979	4,458	1,181	855	11.5	0.3	1.1
1980	[4] 9,475	931	629	13.2	0.1	0.6
1981	[4] 20,362	1,397	1,806	4.9	0.2	1.8
Total	48,131	4,139	4,182			

[1] Excludes administrative costs.

[2] Total $5.6.

[3] Total $6.5.

[4] Of total workers entering training, 5,640 (59 percent) in 1980 and 18,940 (94 percent) in 1981 self-financed their training costs.

FUNDING

Federal funds, through annual appropriations from Treasury general revenues, cover only the portion of the worker's total entitlement represented by the continuation of UI benefits levels in the form of TRA payments, plus the salaries and expenses for ETA personnel administering the program. Funds made available under grants to States defray expenses of any employment services. A portion of the discretionary funds available to the Secretary of Labor under the CETA program are allocated annually for training and for job search and relocation allowances.

The States are reimbursed from Treasury general revenues for benefit payments and other costs incurred under the program. A penalty under section 239 of the Trade Act of 1974 provides for reduction by 15 percent of the credits for State unemployment taxes which employers are allowed against their liability for Federal unemployment tax if a State has not entered into or fulfilled its commitments under a cooperating agreement.

The continuing resolution for fiscal year 1982 includes $238 million for trade readjustment allowances and $24 of the $98.6 million requested by the President for training and job search and relocation allowances. The President's proposed budget includes budget authority of $144 million and outlays of $118 million in fiscal year 1982, and $10 million in budget authority and outlays in fiscal year 1983, based on a legislative proposal to eliminate all TRA payments effective July 1, 1982, except for workers already enrolled in approved training. Funds for training and job search and relocation allowances are included in a proposed $180 million special program for various targeted groups.

Trade Adjustment Assistance Program for Firms

Section 251 through 264 of the Trade Act of 1974, as amended, contain the procedures, eligibility requirements, benefits and their terms and conditions, and administrative provisions of the trade adjustment assistance (TAA) program for firms adversely impacted by increased import competition, established under the Trade Expansion Act of 1962. The OBRA made minor modifications to preserve the existing program, which also utilized authorities under the Public Works and Economic Development Act of 1965, as amended, upon transfer of its administration this year within the Department of Commerce from the Economic Development Administration to the International Trade Administration. Other amendments were intended to increase the attractiveness and improve the administration of loan guarantees. The amendments became effective on date of enactment. The program was extended for one year to terminate on September 30, 1983.

Program benefits consist of technical and/or financial assistance for petitioning firms which qualify under a two-step procedure: (1) certification by the Secretary of Commerce that the petitioning firm is eligible to apply, and (2) approval by the Secretary of Commerce of the application by a certified firm for benefits, including the firm's proposal for economic adjustment.

To certify a firm as eligible to apply for adjustment assistance, the Secretary must determine that three conditions are met:

1. A significant number or proportion of the workers in the firm have been or are threatened to be totally or partially laid off:
2. Sales and/or production of the firm have decreased absolutely; and
3. Increased imports of articles like or directly competitive with articles produced by the firm have "contributed importantly" to both the layoffs and the decline in sales and/or production.

A certified firm may file an application with the Secretary of Commerce for trade adjustments assistance benefits at any time within two years after the date of the certification of eligibility. The application must include a proposal by the firm for its economic adjustment. The Secretary may furnish technical assistance to the firm in preparing its petition for certification and/or in developing a viable economic adjustment proposal.

The firm's application must meet the following requirements for approval of technical and/or financial assistance:

1. The firm has no reasonable access to financing through the private capital market.
2. The adjustment proposal demonstrates that the assistance sought (a) is reasonably calculated to make a material contribution to the economic adjustment of the firm in establishing a competitive position in the same or a different industry; (b) gives adequate consideration to the interest of the workers in the firm; and (c) demonstrates the firm will make all reasonable efforts to use its own resources for economic development.

In addition, the Secretary must determine that a firm seeking financial assistance (1) does not have the required funds available from its own resources; and (2) there is reasonable assurance that the loan will be repaid.

Benefits

Technical assistance and financial assistance may be furnished singly or in combination to certified firms with approved applications.

Technical assistance may be given to implement the firm's economic adjustment proposal in addition to, or in lieu of, precertification assistance or assistance in developing the proposal. It may be furnished through existing government agencies or through private individuals, firms, and institutions (including private consulting services), or by grants to intermediary organizations, including Trade Adjustment Assistance Centers. The Federal share cannot exceed 75 percent of the cost of assistance furnished through private individuals, firms, or institutions. Grants may be made to intermediate organizations to defray up to 100 percent of their administrative expenses in providing technical assistance.

The Secretary of Commerce also may provide technical assistance of up to $2 million annually per industry to establish industrywide programs for new product or process development, export development, or other uses consistent with adjustment assistance objectives. The assistance may be furnished through existing agencies, private individuals, firms, universities, and institutions, and by grants, contracts, or cooperative agreements to associations, unions, or other nonprofit organizations of industries in which a substantial number of firms have been certified.

Financial assistance may be direct loans and/or loan guarantees for (1) acquiring, constructing, installing, modernizing, developing, converting, or expanding land, plant, buildings, equipment, facilities, or machinery; or (2) supplying such working capital as may be necessary to enable the firm to implement its adjustment proposal.

Direct loans to any firm cannot exceed an aggregate amount of $1 million outstanding at any time. The interest rate is determined by the Secretary of the Treasury, plus an amount adequate to cover administrative costs and probable losses under the program.

Loan guarantees to any firm cannot exceed an aggregate amount of $3 million outstanding at any time. No loan can be guaranteed for more than 90 percent of the balance of the loan outstanding.

Maturities of direct loans and loan quarantees normally cannot exceed 10 years on working capital loans and 25 years or the useful life of the fixed assets, whichever is less, on loans for land, plant, building, equipment, or machinery.

TABLE 4.—NUMBER OF FIRMS CERTIFIED AND TECHNICAL AND FINANCIAL ASSISTANCE AUTHORIZED FOR THE PERIOD FROM APRIL 1975 THROUGH DECEMBER 31, 1981

[Dollars in thousands]

Number of firms certified	1,321
Number certified by industry [1]:	
Apparel	442
Footwear	133
Handbags	56
Textiles	50
Technical assistance: Number of firms receiving assistance	[2] 2,487
Total assistance authorized	$71,446
Individual firms	$45,659
Industrywide	$25,787
Financial assistance: Number of firms receiving loans	300
Total loans authorized	$327,798
Direct loans	$189,676
Loan guarantees	$138,122

[1] Includes calendar years 1977–1981 only.

[2] Double counting is unavoidable since most firms receive more than one category of technical assistance.

FUNDING

Funds to cover all costs are subject to annual appropriations from Treasury general revenues. The continuing resolution for fiscal year 1982 includes $13 million for technical assistance, $12.5 million for direct loans, $28.5 million for loan guarantees, and $2 million for salaries and expenses. No funds are included for this program in the President's proposed budget for fiscal year 1983.

Section 7. Unemployment Compensation

The Federal-State unemployment compensation system was enacted as a part of the Social Security Act of 1935. It has two primary purposes: (1) to provide partial wage replacement to qualified unemployed workers, in order to assist them in meeting nondeferrable expenses during periods of temporary and involuntary unemployment; and (2) to help stabilize the economy during periods of economic decline. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The framework of the unemployment compensation system is established under the provisions of title III of the Social Security Act and the Federal Unemployment Tax Act (FUTA), chapter 23 of the Internal Revenue Code. The major provisions of the program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure. The 1980 amendments to the Federal law and the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established certain eligibility requirements and other limitations with respect to the extended benefits program, one-half of which is financed in part by the Federal Government. In addition, Public Law 97-35 amends FUTA dealing with Federal unemployment loans to the States and modifies eligibility requirements for ex-service members.

TABLE 1.—UNEMPLOYMENT COMPENSATION PROGRAM STATISTICS

	Fiscal year—							
	1976	1977	1978	1979	1980	1981	1982 (estimate)	1983 (estimate)
Total unemployment rate (percent)	8.0	7.4	6.2	5.8	6.8	7.4	8.9	8.1
Insured unemployment rate (percent)[1]	5.0	4.1	3.5	3.1	3.8	3.5	4.7	4.5
Coverage (millions of individuals)	66.6	70.0	79.9	86.1	87.0	88.2	88.1	90.6
Average weekly benefit amount (dollars)	71.75	75.80	80.40	85.00	95.70	101.60	107.9	113.7
State unemployment compensation:								
Claimants (millions of individuals)	8.657	8.358	7.647	7.797	9.906	8.777	11.300	10.400
Regular benefit exhaustions (millions of individuals)	4.1	2.9	2.2	2.0	2.7	3.2	3.7	4.4
Regular benefits paid (billions of dollars)	10.24	8.94	8.32	8.74	12.95	13.46	19.47	19.24
Extended benefits (State share: billions of dollars	1.41	0.95	0.51	0.12	0.56	1.06	1.61	0.67
State tax collections (billions of dollars)	6.40	9.25	11.03	12.27	11.91	12.37	12.54	14.25
State trust fund impact (income-outlays: billions of dollars)	−5.25	−0.64	+2.20	+3.41	−1.60	−6.03	−8.53	−5.66
Federal unemployment compensation accounts:								
Federal tax collections (billions of dollars)	1.53	1.87	2.60	2.91	3.19	3.26	3.20	3.35
Outlays: Federal extended benefits share plus Federal supplemental benefits (billions of dollars)	4.98	2.61	0.69	0.12	0.56	1.06	1.61	0.67

TABLE 1.—UNEMPLOYMENT COMPENSATION PROGRAM STATISTICS—Continued

	Fiscal year—							
	1976	1977	1978	1979	1980	1981	1982 (estimate)	1983 (estimate)
Administrative costs (billions of dollars):								
Unemployment Insurance Service	0.88	0.96	0.93	0.97	1.15	1.32	NA	NA
Employment Service	0.54	0.60	0.64	0.70	0.73	0.78	NA	NA
Total administrative costs	1.42	1.56	1.57	1.67	1.88	2.10	2.28	2.34

[1] The percent of workers covered under State unemployment compensation programs who collected unemployment compensation benefits.

NA=Not available.

Sources: Office of Research, Legislation and Program Policies/ETA/UIS/DOL, Division of Actuarial Services, and U.S. Budget Appendixes.

FINANCING

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Three States also levy unemployment taxes on employees.

Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 3.4 percent on the first $6,000 of wages is levied on employers who, in the current or last year, employed at least one person for 20 weeks or had a quarterly payroll of at least $1,500. The FUTA tax is also levied on agricultural employers who employ 10 or more workers for 20 weeks or who have quarterly payrolls of $20,000 or more, and on employers who pay at least $1,000 a quarter for services performed by household workers.

If the State's unemployment compensation program meets the requirements of Federal law, as set forth in section 3304 of the Internal Revenue Code, employers in that State receive a 2.7 percent credit against the 3.4 percent Federal unemployment tax. Thus, the Federal tax rate in a State which has an approved program is 0.7 percent. The tax may be higher in States having outstanding unemployment insurance loans from the Federal Government.

Receipts from the Federal tax are deposited in the Federal Unemployment Trust Fund and are used to pay both State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow (title XII of the Social Security Act) whenever it lacks funds to pay State unemployment compensation benefits due for a month.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the costs of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

The method and level of taxation varies considerably among the States. Most States have a number of tax rate schedules and will use higher or lower schedules depending on the solvency of the States' trust fund. All jurisdictions, with the exception of Puerto Rico and the Virgin Islands, provide a system of experience rating under which State tax rates vary among employers according to the total amount of unemployment benefits that have recently been paid to former employees of each employer. Federal law requires that no reduced rate (usually a rate below 2.7 percent) may be assigned to an employer except on the basis of the employer's experience rating.

In 1981, the estimated average State tax rate was 2.4 percent of taxable wages, ranging from 0.5 percent in Texas to 4.0 percent in Michigan. All States have a wage base of at least $6,000. Twenty-four States have a higher wage base, ranging from $6,600 to $14,600.

In the case of nonprofit organizations and government entities, Federal law requires the State to provide the employer the option of reimbursing the fund for the actual cost of benefits to unemployed workers rather than being taxed.

Table 2 shows the tax base in each State, the payroll tax rate as a percent of taxable wages and all wages, and those States not receiving the maximum Federal credit of 2.7 percent because of outstanding Federal unemployment loans.

In 1981, 22 jurisdictions increased their unemployment tax wage base by amounts ranging from $200 to $2,000. The average increase was $930.

TABLE 2.—STATE UNEMPLOYMENT TAX DATA

State	1982 tax base	Estimated 1981 average tax rates as a percent of—		1982 Federal credit (percent)
		Taxable wages	All wages	
U.S. average	(1)	2.4	1.0	NA
Alabama	$6,600	1.8	1.0	(2)
Alaska	14,600	3.3	2.1	(2)
Arizona	(1)	1.6	0.6	(2)
Arkansas	6,900	1.4	1.3	(2)
California	(1)	2.6	1.0	(2)
Colorado	(1)	0.8	0.4	(2)
Connecticut	(1)	2.2	0.8	2.0
Delaware	6,600	3.0	0.9	2.1
District of Columbia	7,500	2.6	1.0	2.1
Florida	(1)	1.1	0.5	(2)
Georgia	(1)	1.4	0.7	(2)
Hawaii	13,000	1.6	1.1	(2)
Idaho	13,200	1.9	1.3	(2)
Illinois	7,000	3.3	1.3	2.1
Indiana	(1)	1.7	0.7	(2)
Iowa	8,700	2.4	1.3	(2)
Kansas	7,800	2.1	1.0	(2)
Kentucky	(1)	3.2	1.4	(2)
Louisiana	(1)	2.0	1.0	(2)
Maine	(1)	3.1	1.5	2.1
Maryland	(1)	2.8	1.0	(2)
Massachusetts	(1)	3.3	1.5	(2)
Michigan	(1)	4.0	1.7	(2)
Minnesota	8,000	1.9	0.9	(2)
Mississippi	(1)	2.1	1.0	(2)
Missouri	6,600	1.6	0.6	(2)
Montana	8,000	2.9	1.6	(2)
Nebraska	(1)	1.7	0.7	(2)
Nevada	9,300	2.4	1.4	(2)

TABLE 2.—STATE UNEMPLOYMENT TAX DATA—Continued

State	1982 tax base	Estimated 1981 average tax rates as a percent of—		1982 Federal credit (percent)
		Taxable wages	All wages	
New Hampshire	(1)	1.3	0.6	(2)
New Jersey	8,200	3.4	1.6	2.1
New Mexico	8,500	1.8	1.0	(2)
New York	(1)	3.2	1.2	(2)
North Carolina	(1)	1.7	0.9	(2)
North Dakota	9,240	2.6	1.5	(2)
Ohio	(1)	2.8	1.1	(2)
Oklahoma	(1)	0.9	0.4	(2)
Oregon	11,000	3.0	1.8	(2)
Pennsylvania	6,600	3.6	1.5	2.1
Puerto Rico [3]	(1)	3.0	3.0	2.1
Rhode Island	8,600	4.2	2.3	2.1
South Carolina	(1)	2.1	1.1	(2)
South Dakota	(1)	1.7	0.9	(2)
Tennessee	(1)	2.4	0.9	(2)
Texas	(1)	0.6	0.2	(2)
Utah	12,300	1.7	1.2	(2)
Vermont	(1)	3.2	1.5	2.1
Virginia	(1)	1.9	0.8	(2)
Virgin Islands	8,000	3.7	2.2	2.1
Washington	10,800	3.0	1.7	(2)
West Virginia	8,000	2.8	1.1	(2)
Wisconsin	(1)	2.6	1.1	(2)
Wyoming	(1)	0.9	0.4	(2)

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[1] The 1982 tax base is $6,000 except as otherwise shown in this column.

[2] All figures are 2.7 percent except as otherwise shown in this column. To the extent that this credit is lower than 2.7 percent, these additional taxes are due January 30, 1982.

Note.—This table shows the State unemployment tax levels. It does not include the Federal unemployment taxes.

Source: Department of Labor (based on estimates by State agencies).

Table 3 shows recent data on unemployment compensation-covered employment, wages, taxable wages, the ratio of taxable to total wages, and average weekly wages.

TABLE 3.—12-MONTH AVERAGE EMPLOYMENT AND TOTAL WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING MARCH 1981

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
United States	87,337	1,251,991	472,176	0.38	278
Alabama	1,251	15,936	6,721	0.42	245
Alaska	151	3,584	1,394	0.39	458
Arizona	984	13,665	5,202	0.38	267
Arkansas	708	8,328	3,692	0.44	226
California	9,822	152,454	53,198	0.35	299
Colorado [2]	1,191	17,435	6,623	0.38	282
Connecticut [3]	1,391	20,428	7,365	0.36	283
Delaware	249	3,841	1,223	0.32	296
District of Columbia	372	6,267	1,864	0.30	324
Florida	3,876	45,046	19,104	0.42	224
Georgia	2,036	26,388	10,712	0.41	249
Hawaii	384	5,020	2,759	0.55	251
Idaho	303	3,898	2,149	0.55	248
Illinois [2]	4,444	70,643	27,208	0.39	306
Indiana [2]	2,036	29,628	10,505	0.35	280
Iowa	1,051	13,897	5,662	0.41	254
Kansas	890	11,745	4,423	0.38	254
Kentucky	1,109	14,946	5,634	0.38	259
Louisiana	1,519	22,212	8,680	0.39	281
Maine	393	4,572	1,895	0.41	224
Maryland [2]	1,552	21,119	7,183	0.34	262
Massachusetts	2,538	35,262	13,610	0.39	267
Michigan [2]	3,204	54,546	16,231	0.30	327
Minnesota	1,684	23,716	9,737	0.41	271
Mississippi	770	8,744	3,841	0.44	218
Missouri	1,846	25,515	9,281	0.36	266
Montana	251	3,199	2,004	0.63	245
Nebraska	585	7,183	2,642	0.37	236
Nevada	390	5,594	2,885	0.52	276
New Hampshire	374	4,591	1,864	0.41	236
New Jersey	2,962	45,165	17,246	0.38	293
New Mexico	415	5,423	2,346	0.43	251
New York	6,950	110,517	34,360	0.31	306
North Carolina	2,288	27,625	11,738	0.43	232
North Dakota	213	2,625	1,153	0.44	237

TABLE 3.—12-MONTH AVERAGE EMPLOYMENT AND TOTAL WAGES COVERED BY UNEMPLOYMENT INSURANCE (UI) FOR PERIOD ENDING MARCH 1981—Continued

State	Average employment (thousands)	Total wages [1] (millions)	Taxable wages (millions)	Ratio of taxable wages to total wages	Average weekly wages for UI
Ohio	4,088	61,874	20,746	0.34	291
Oklahoma	1,089	15,375	5,980	0.39	272
Oregon	983	14,116	6,977	0.49	276
Pennsylvania [2]	4,464	64,483	22,721	0.35	278
Puerto Rico [2]	712	5,975	4,261	0.71	161
Rhode Island	388	4,858	2,109	0.43	241
South Carolina	1,121	13,394	5,686	0.42	230
South Dakota	214	2,352	955	0.42	211
Tennessee [2]	1,642	20,707	8,418	0.41	243
Texas	5,651	83,488	32,246	0.39	284
Utah	486	6,621	3,548	0.54	262
Vermont	189	2,252	899	0.40	229
Virginia [3]	1,924	24,760	10,100	0.41	248
Virgin Islands	37	424	161	0.38	221
Washington [2]	1,527	23,038	11,198	0.49	290
West Virginia	600	8,888	3174	0.36	285
Wisconsin	1,844	25,434	8,656	0.34	265
Wyoming	201	3,190	1,209	0.38	306

[1] Total wages exceed taxable wages because wages from reimbursable employers are included in the former and because wage base is limited.

[2] Data estimated for 1 quarter.

[3] Data estimated for 3 quarters.

FEDERAL UNEMPLOYMENT LOANS TO STATES

A State that has depleted its own unemployment funds may receive Federal loans as necessary to pay regular State benefits. States that borrow funds have two to three years to repay the loan, depending on the month the loan is received. (Technically, a State has until November 10 of the calendar year in which the second consecutive January 1 passes with the State still having an outstanding advance. This means that a State may have from 22 months and 10 days to 34 months and 10 days to repay the advance, depending on when it obtained the outstanding loan.) If a State does not fully repay the loan within the two to three year period, employers in the State become subject to an annual reduction in the 2.7 percent credit against the 3.4 percent FUTA tax of 0.3 percent. In other words, the 0.7 percent *net* Federal unemployment tax rate becomes subject to annual increases, up to a maximum of 3.4 percent until sufficient revenue has been raised to repay the State's entire outstanding loan balance.

The Omnibus Budget Reconciliation Act of 1981 modifies FUTA provisions regarding Federal unemployment loans to the States. Effective April 1, 1982 through December 31, 1987, States will be charged interest on new loans that are not repaid by the end of the fiscal year in which they are obtained. Under previous law, States could receive these loans interest-free. The interest rate will be the same rate as that paid by the Federal Government on State reserves in the Federal Unemployment Trust Fund for the quarter ending December 31 of the preceding year, but not higher than 10 percent per annum. A State may not pay the interest directly or indirectly from funds in their State accounts in the Federal Unemployment Trust Fund.

Effective for taxable years beginning January 1, 1981, and ending December 31, 1987, in States that meet certain solvency requirements, the 0.3 percent per year increase in the *net* FUTA tax resulting from overdue Federal loans would be limited to the higher of: (a) the total of any such increases in effect in the year prior to the year the State meets the solvency requirements; or (b) 0.6 percent. There are four solvency requirements. The first two requirements apply for taxable years 1981 through 1987; the last two requirements apply only for taxable years 1983 through 1987. A State qualifies for the limitation if the Secretary of Labor determines by November 10 of the tax year in question that:

(1) the State has not reduced its State unemployment taxes;

(2) the State has taken no action that results in a decrease in the solvency of the State unemployment trust fund (e.g., if it increases benefits it must provide for a commensurate increase in State unemployment taxes);

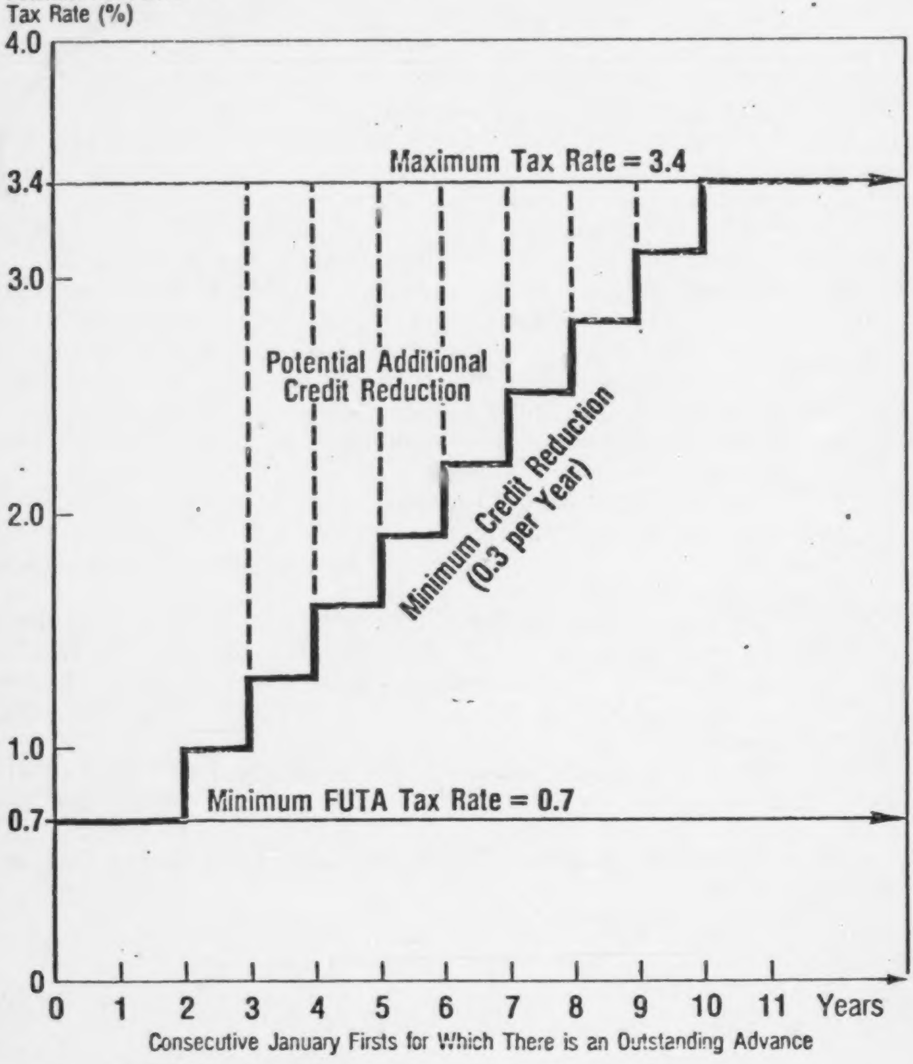
(3) the average unemployment tax rate (taxes divided by total wages) in the State equals or exceeds the average unemployment benefit-cost rate (i.e., benefits divided by total wages) for the past five years; and

(4) the State's outstanding loan balance on September 30 of the tax year in question is not greater than its outstanding loan balance on the second preceding September 30 for tax year 1983, and the third preceding September 30 for subsequent years.

As of January 1, 1982, outstanding unemployment loans totaled $6.271 billion. Table 4 shows the loans made to each State. In 1981, $1.613 billion in new loans were approved for 9 jurisdictions. Figure 1 shows the potential FUTA tax increase in States with outstanding loans.

Figure 1.

The Potential Net Federal Unemployment Tax Act (FUTA) Tax Rate in States with Outstanding Advances from the Federal Unemployment Account for Two Consecutive January Firsts



Source: Congressional Research Service.

TABLE 4.—ADVANCES TO STATES FROM THE FEDERAL UNEMPLOYMENT ACCOUNT (FUA), AS OF DECEMBER 31, 1981

[In millions of dollars, calendar year]

States	1972–74	1975–77	1978	1979	1980	Loans requested and approved in 1981	Repayments	Total outstanding
Alabama		56.7					56.7	
Arkansas		30.0			29.2	34.8	30.0	64.0
Conn.	62.0	415.0	37.0				193.1	320.9
Delaware		36.6	10.4			9.5	10.1	46.4
D.C.		59.0	8.4	6.1			22.4	51.1
Florida		42.0					42.0	
Hawaii		22.5					22.5	
Illinois		758.6	187.9		37.5	487.0	65.6	1,405.4
Kentucky						52.1		52.1
Maine		22.9	13.5				5.0	31.4
Maryland		62.7					62.7	
Mass.		265.0					265.0	
Michigan		624.0			842.0	233.0	624.0	1,075.0
Minn.		172.0			28.2	85.8	172.0	114.0
Montana		9.3	1.2				10.5	
Nevada		7.6					7.6	
N.J.		638.9	96.0				122.5	612.4
N.Y.		155.8	180.0				335.8	
Ohio		1.9			246.1	353.8	1.9	599.9
Oregon		18.5					18.5	
Pa.		926.3	261.0	35.0	222.0	305.0	183.0	1,566.3
P.R.		75.2	13.5				7.9	80.8
R.I.		74.8	31.0	5.0	18.5		17.3	112.0
Vermont	5.3	42.6					11.7	36.2
V.I.		10.9					6.7	4.2
Wash.	44.1	105.3					149.4	
W.Va.					47.2	52.6		99.8
Total	111.4	4,634.1	839.9	46.1	1,470.7	1,613.6	2,443.9	6,271.9

Source: U.S. Department of Labor, Unemployment Insurance Service, Division of State Program Management, Tax Administration Group.

COVERAGE

More than 88 million workers, or about 97 percent of wage and salary workers are covered by the unemployment compensation system. "Covered" employment is employment subject to the Federal and/or State unemployment taxes; or, employment (such as employment for State and local governments and nonprofit organizations) that States are required by Federal law to cover under their programs even though such employment is not subject to the Federal unemployment tax.

As already noted, an employer is subject to the Federal unemployment tax if, during the current or last year, he employed one or more individuals during some part of a day in each of at least 20 calendar weeks, or if he paid wages of $1,500 or more during one calendar quarter of either year. In addition, agricultural employers who employ 10 or more farmworkers in 20 weeks or have quarterly payrolls for agricultural services of $20,000 or more are covered. Also covered are employers who pay $1,000 cash wages or more in a quarter to domestic workers. Federal law also requires coverage of employment for nonprofit organizations with four or more workers and coverage of employment for State and local governments.

Failure by a State to cover employment required to be covered under Federal law results in employers in the State being denied the credit against the Federal tax. Further, employees not covered under State law are not eligible for benefits if they become unemployed. Hence, coverage in all States is at least as broad as Federal law with minor exceptions.

Where employment is specifically exempt from Federal taxation, under the provisions of FUTA, a State may provide coverage at its option. Employment exempt under Federal law includes self-employment, employment for relatives, employment of a student by a school or university, and employment of agricultural or domestic workers which does not meet the quarterly payroll minimum specified above. Most States have chosen not to cover this exempt employment, although some States cover a portion of the services.

BENEFITS

The States have developed diverse and complex methods for determining if an individual qualifies for unemployment compensation and, if so, the amount and duration of his or her weekly payments. Among the most important of these factors are (1) a demonstrated ability and willingness to seek and accept suitable employment, (2) specified disqualifications related primarily to the circumstances of separation from the most recent employment and refusal of a job offer and, (3) the amount of employment and wages prior to becoming unemployed.

Eligibility conditions

All State laws provide that, to receive benefits, a claimant must be (1) able to work and (2) available for work. These requirements are positive conditions that must be continually met in order to receive benefits.

Only minor variations exist in State laws setting forth the requirements concerning "ability to work." A few States specify that a claimant must be mentally and physically able to work.

"Available for work" is often translated to mean being ready, willing, and able to work. In addition to registration for work at a local employment office, most State laws require that a claimant be actively seeking work or making a reasonable effort to obtain work. Generally, a person may not refuse, without good cause, an offer of, or referral to "suitable work."

"Suitable work" is generally work in a claimant's customary occupation, which meets certain health, safety, moral, and labor standards. Most State laws list certain criteria by which the "suitability" of a work offer is to be tested. The usual criteria include the degree of risk to a claimant's health, safety, and morals; the physical fitness and prior training, experience, and earnings of the person; the length of unemployment and prospects for securing local work in a customary occupation; and the distance of the available work from the claimant's residence. Generally, as the length of unemployment increases the claimant is required to accept a wider range of jobs.

In addition, Federal law requires States to deny benefits provided under the extended benefit program to any individual who fails to accept any work that is offered in writing or is listed with the State employment service, or fails to apply for any work to which he or she is referred by the State agency, if the work is within the person's capabilities, pays wages equal to the highest of the Federal or any State or local minimum wage, pays a gross weekly wage that exceeds the person's average weekly unemployment compensation benefits plus any supplemental unemployment compensation payable to the individual, and is consistent with the State definition of "suitable" work in other respects.

States must refer extended benefits claimants to any job meeting these requirements. If the State, based on information provided by the individual, determines that the individual's prospects for obtaining work in his or her customary occupation within a reasonably short period are good, the determination of whether any work is "suitable work" is made in accordance with State law rather than the above.

There are certain circumstances under which Federal law provides that State and extended benefits may not be denied. A State may not deny benefits to an otherwise eligible individual for refusing to accept new work under any of the following conditions: (1) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (2) if the wages, hours, or other conditions of the work offered are substantially less favorble to the individual than in those prevailing for similar work in the locality; (3) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization. Further, benefits may not be denied solely on the grounds of pregnancy. The State is prohibited from canceling wage credits or totally denying benefits except in cases of misconduct, fraud, or receipt of disqualifying income.

There are also certain conditions under which Federal law requires that benefits be denied. For example, benefits must be denied to teachers and other professional employees of education institutions during summer (and other vacation periods) if they have a reasonable assurance of reemployment; to professional athletes between sport seasons; and to aliens not legally admitted to work in the United States.

Disqualifications

The major causes for disqualification from benefits are not being able to work or available for work, voluntary separation from work without good cause, discharge for misconduct connected with the work, refusal of suitable work without good cause, and unemployment resulting from a labor dispute. Disqualification for one of these reasons may result in a postponement of benefits for some prescribed period, a cancellation of benefit rights, or a reduction of benefits otherwise payable.

Of the 23.5 million "monetarily eligible" initial UI claimants in fiscal year 1980, 19.2 percent were disqualified. This figure subdivides into 5.6 percent for not being able to work or available for work, 5.7 percent for voluntarily leaving a job without good cause, 2.9 percent for being fired for misconduct on the job, 0.3 percent for refusing suitable work, and 4.7 percent for committing other disqualifying acts. The total disqualification rate ranged from a low of 5.7 percent in North Carolina to a high of 88.4 percent in Nebraska.

Service members who leave the military at the end of an enlistment period are disqualified from benefits if they were eligible to reenlist. Specifically, effective for separations from military service occuring on or after July 1, 1981, federally financed unemployment benefits are not payable unless the individual: (1) was discharged or released under honorable conditions; (2) did not resign or voluntarily leave the service; and (3) was not released or discharged for cause as defined by the Department of Defense. The provision is effective with respect to weeks of unemployment beginning after August 13, 1981.

Federal law requires that benefits provided under the extended benefits program will be denied to an individual for the entire spell of his or her unemployment if he or she was disqualified from receiving State benefits because of voluntarily leaving employment, discharge for misconduct, or refusal of suitable work. Extended benefits will be denied even though the disqualification was subsequently lifted with respect to the State benefits prior to reemployment. The person could receive extended benefits if the disqualification is lifted because he or she became reemployed and met the work or wage requirement of State law.

In addition, Federal law requires that an individual's unemployment benefit must be reduced by the amount of any public or private work-related pension income a claimant is receiving if such pension was maintained or contributed to by a base period or chargeable employer. In determining the amount of the offset, States are permitted to take into account any employee contributions to the pension. Because almost all employers are covered by the social security old-age and survivor's program, and contribute social security payroll taxes to the social security trust fund, most social security old-age recipients who claim unemployment compensation are subject to this pension offset.

TABLE 5.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT IN 1982

State	Weekly benefit amount[1]		Required total earnings in base year[2]		Minimum work in base year (weeks)[3]	Average weekly benefit
	Minimum	Maximum	For minimum weekly benefit	For maximum weekly benefit		
Alabama	$15	$90	$522	$3,204	2Q	75
Alaska	34–58	150–222	1,000	15,500	2Q	118
Arizona	25	95	938	3,544	2Q	85
Arkansas	31	136	930	4,080	2Q	88
California	30	136	1,100	4,641	....	89
Colorado	25	176	750	18,201	....	116
Connecticut	15–22	146–196	600	5,840	2Q	104
Delaware	20	150	720	5,400	....	103
District of Columbia	13–14	206	450	7,071	2Q	128
Florida	10	125	400	4,960	2Q	78
Georgia	27	115	413	4,275	2Q	77
Hawaii	5	169	150	5,070	2Q	109
Idaho	36	145	1,138	4,680	2Q	97
Illinois	45	148–198	3,829	4,214	2Q	130
Indiana	40	84–141	1,500	2,413	2Q	89
Iowa	17–18	146–176	600	4,168	2Q	120
Kansas	37	149	1,110	4,470	2Q	109
Kentucky	22	140	1,000	4,412	2Q	100
Louisiana	10	183	300	5,490	....	114
Maine	20–25	115–173	1,322	2,519	2Q	85
Maryland	25–28	140	900	5,040	2Q	97
Massachusetts	12–18	156–234	1,200	4,030	....	100
Michigan	41–44	182	[4] 1,318	[4] 5,850	2Q	115
Minnesota	30	177	750	6,345	2Q	122
Mississippi	10	90	360	3,240	2Q	72
Missouri	14	105	450	3,150	2Q	87
Montana	36	145	1,000	5,780	2Q	101
Nebaska	12	106	600	2,750	2Q	92
Nevada	16	136	562	5,063	2Q	103
New Hampshire	26	132	1,700	16,500	2Q	81
New Jersey	20	145	600	4,340	2Q	103
New Mexico	26	130	813	4,193	2Q	87
New York	25	125	800	4,980	2Q	91
North Carolina	15	152	1,368	5,909	2Q	85
North Dakota	42	156	1,680	6,240	2Q	112
Ohio	10	147–233	400	5,840	20	124

TABLE 5.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT IN 1982—Continued

State	Weekly benefit amount[1]		Required total earnings in base year[2]		Minimum work in base year (weeks)[3]	Average weekly benefit
	Minimum	Maximum	For minimum weekly benefit	For maximum weekly benefit		
Oklahoma	16	176	1,000	6,563	2Q	106
Oregon	41	158	1,000	12,600	2Q	103
Pennsylvania	35–40	190–198	1,320	7,520	2Q	116
Rhode Island	35–40	143–163	1,240	5,163	20	93
South Carolina	10	118	300	4,563	2Q	82
South Dakota	28	129	1,568	7,198	2Q	102
Tennessee	20	110	720	3,960	2Q	80
Texas	21	147	750	5,475	2Q	94
Utah	10	166	700	4,290	2Q	110
Virgin Islands	15	115	396	3,450	2Q	68
Vermont	18	135	700	5,380	20	90
Virginia	44	138	2,200	6,901	2Q	94
Washington	45	163	1,113	4,062	....	112
West Virginia	18	194	1,150	18,200	2Q	106
Wisconsin	34	179	990	5,340	2Q	119
Wyoming	24	165	958	6,560	2Q	116
Puerto Rico	7	84	280	3,360	2Q	55

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[1] A range of amounts is shown for those States which provide dependents allowances.

[2] In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks.

[3] Number of weeks of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year. States without an entry have the minimum work requirement specified as a wage amount.

[4] Effective March 31, 1981, through March 31, 1983, Michigan's weekly benefit amount is 70 percent of an individual's average weekly after-tax wage up to 58 percent of the State's average weekly wage. The qualifying wage is 20 times the State minimum hourly wage for 18 weeks. Figures shown were calculated by assuming that the after-tax wage is 80 percent of the pre-tax wage ($((41\times 18)/(0.7\times 0.8)=1{,}318$; and $(182\times 18)/(0.7\times 0.8)=5{,}850)$.

Source: Department of Labor.

Amount and Duration of Weekly Benefit

All States require that in order to receive benefits an individual must have earned a specified amount of wages and/or worked for a certain period of time prior to filing for unemployment compensation. The amount of wages or duration of previous unemployment that is required varies significantly from State to State. In general, the amount of a qualified claimant's weekly payment (up to a maximum amount specified in State law), and the number of weeks he or she can draw benefits, vary according to the claimant's previous wages.

The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States. In most of the States, the formula is designed to compensate for a fraction of the full-time weekly wage the individual was receiving while working, within the limits of State established minimum and maximum benefit amounts. Most of the States use a formula which determines benefits on the basis of wages earned in that quarter of recent employment in which wages were highest. A worker's weekly benefit rate, intended to represent a certain proportion of his or her average weekly wages in the high quarter, is computed directly from these wages. See table 8 for information on the weekly benefit amounts payable in each State.

In most States, the number of weeks a person can collect benefits varies according to the amount of previous wages earned or weeks of employment prior to unemployment. Ten States provide "uniform duration" of benefits and entitle all qualifying claimants to the same maximum potential number of weeks of benefits, although the weekly benefit amount varies according to each claimant's previous employment record. Generally, States provide up to a maximum of 26 weeks of State unemployment compensation benefits to unemployed individuals who meet the qualifying requirements of State law. Many claimants qualify for less than the maximum 26 weeks, and in 8 States, claimants may receive more than 26 weeks of State benefits (see table 6). In fiscal year 1981, the average length of time a recipient received benefits was 15.4 weeks.

During 1981, the minimum duration (in weeks) of regular unemployment benefits increased in eight States; the minimum and maximum duration decreased in one State. Minimum weekly benefit amounts increased in 23 States. The maximum weekly benefit payable increased in all but 3 jurisdictions, as well as required base year earnings.

TABLE 6.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS IN 1982 [1]

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum potential benefits [2]
Alabama	11	26	$7,017
Alaska	14	26	15,500
Arizona	12	26	7,409
Arkansas	10	26	10,605
California	12	26	7,070
Colorado	7	26	18,201
Connecticut	26	26	5,840
Delaware	18	26	7,798
District of Columbia	17	34	14,006
Florida	10	26	12,897
Georgia	4	26	11,956
Hawaii	26	26	5,070
Idaho	10	26	12,168
Illinois	26	26	4,214
Indiana	9	26	8,736
Iowa	15	26	11,388
Kansas	10	26	11,619
Kentucky	15	26	10,919
Louisiana	12	28	12,808
Maine	7	26	8,969
Maryland	26	26	5,040
Massachusetts	9	30	12,997
Michigan	13	26	[3] 6,309
Minnesota	11	26	13,061
Mississippi	12	26	7,017
Missouri	10	26	8,190
Montana	8	26	12,210
Nebraska	17	26	8,189
Nevada	11	26	10,605
New Hampshire	26	26	16,500
New Jersey	15	26	7,595
New Mexico	18	26	5,632
New York	26	26	4,980
North Carolina	13	26	11,856
North Dakota	12	26	11,929
Ohio	20	26	7,592
Oklahoma	20	26	13,725
Oregon	8	26	12,600

TABLE 6.—DURATION (IN WEEKS) OF REGULAR UNEMPLOYMENT BENEFITS IN 1982 [1]—Continued

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum potential benefits [2]
Pennsylvania	26	30	7,520
Rhode Island	12	26	10,844
South Carolina	10	26	9,201
South Dakota	18	26	10,059
Tennessee	12	26	8,577
Texas	9	26	14,152
Utah	10	36	14,157
Virgin Islands	26	26	3,450
Vermont	26	26	5,380
Virginia	12	26	13,800
Washington	16	30	14,669
West Virginia	28	28	18,200
Wisconsin	1	34	15,308
Wyomig	12	26	13,750
Puerto Rico	20	20	3,360

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[1] Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

[2] Based on maximum weekly benefit amount paid for maximum number of weeks. Total potential benefits equals a worker's weekly benefit amount times his potential duration.

[3] Effective March 31, 1981, through March 31, 1983, Michigan's weekly benefit amount is 70 percent of an individual's average weekly after tax wage up to 58 percent of the State's average weekly wage. The current maximum is $182 per week. The figure of $6,309 was calculated based on $182 ((182×26)/0.75=6,309).

Source: Department of Labor.

Hypothetical Benefit Levels for Various Workers in Selected States

The following five tables (Tables 7-11) illustrate the amount and duration of benefits various workers can receive in selected States. All of the benefit amounts are for January 1982. Table 7 shows the amount of the weekly benefit for full year workers. The first column of the table is for a full time worker earning the minimum wage; the second column is for a worker earning $6 per hour while the third column shows benefit amounts for a worker earning $9 per hour. The final column is a part-time worker earning the minimum wage and working 20 hours per week. There is very little variance in the weekly benefit amount for the minimum wage worker (from $67 to $90) with all but two states clustered between $67 and $75 per week. The maximum amount a worker can receive in each State varies considerably (from $105 to $223 per week).

Table 8 shows the maximum amount of benefits these workers can receive under their regular State program if they are unable to obtain work. In most instances this amount is simply 26 weeks times the weekly benefit amount shown in Table 7.

Table 9 is identical to Table 7 except that it shows the weekly benefit amount for part year and part-time workers. In all of these examples there is considerable variation among the States. In fact, in many States an individual is ineligible while in other States the individual can receive benefits for 26 weeks. The actual amount of wages earned by each worker during the base period is shown in the footnotes. Table 10 shows the number of weeks benefits can be received in each State if the worker is unable to obtain work. Table 11 is simply the weekly benefit amount multiplied by the maximum number of weeks a worker can draw benefits. It should be emphasized that these are hypothetical amounts.

TABLE 7.—WEEKLY BENEFIT AMOUNT FOR VARIOUS WORKERS IN SELECTED STATES

	A	B	C	D
Arkansas	67	120	136	34
California	68	105	136	38
Connecticut	67	120	166	34
Florida	67	120	125	34
Georgia	70	115	115	35
Hawaii	70	125	169	35
Illinois	67	120	198	45
Indiana	75	84	113	....
Louisiana	70	125	183	35
Massachusetts	67	120	186	34
Michigan	74	124	182	41
Minnesota	71	120	177	40
Missouri	79	105	105	40
New Jersey	90	145	145	45
New York	67	120	125	35
North Carolina	67	120	152	34
Ohio	67	120	223	34
Oklahoma	70	125	176	35
Pennsylvania	72	127	198	38
South Carolina	67	118	118	34
Tennessee	67	103	110	34
Texas	70	125	147	35

A. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
B. $6.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.
C. $9.00/hr. wage; 40 hrs./wk.; 52 wks./yr.; nonworking spouse; 2 children.
D. $3.35/hr. wage; 20 hrs./wk.; 52 wks./yr.; nonworking spouse; no children.

TABLE 8.—TOTAL POTENTIAL BENEFITS FOR VARIOUS WORKERS IN SELECTED STATES [1]

	A	B	C	D
Arkansas	1,742	3,120	3,536	884
California	1,768	2,730	3,536	988
Connecticut	1,742	3,120	4,316	884
Florida	1,742	3,120	3,250	884
Georgia	1,750	2,990	2,990	875
Hawaii	1,820	3,250	4,394	910
Illinois	1,742	3,120	4,148	1,170
Indiana	1,725	2,184	2,938	....
Louisiana	1,960	3,500	5,124	980
Massachusetts	2,010	3,600	5,580	1,020
Michigan	1,924	3,224	4,732	1,066
Minnesota	1,846	3,120	4,602	1,040
Missouri	2,054	2,730	2,730	1,040
New Jersey	2,340	3,770	3,770	1,170
New York	1,742	3,120	3,250	910
North Carolina	1,742	3,120	3,952	884
Ohio	1,742	3,120	5,798	884
Oklahoma	1,820	3,250	4,576	910
Pennsylvania	2,160	3,810	5,940	1,140
South Carolina	1,742	3,068	3,068	884
Tennessee	1,742	2,678	2,860	884
Texas	1,820	3,250	3,822	910

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[1] Total potential benefit is the total amount of benefits available to the worker under the regular state program assuming the individual is unable to obtain work. In most cases, it is the amount in Table 7 multiplied by 26 (i.e., the maximum length of time benefits are available).

A. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; no children.
B. $6.00/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; no children.
C. $9.00/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; 2 children.
D. $3.35/hr. wage; 40 hrs./wk.; 52 wks./yr; nonworking spouse; no children.

TABLE 9.—WEEKLY BENEFIT AMOUNT FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES

	A	B	C	D	E
Arkansas	67	136		111	92
California	68	116	31	99	87
Connecticut			28	131	93
Florida			60	34	95
Georgia			29	115	97
Hawaii	70	146	29	116	96
Illinois	67	140	45	148	93
Indiana				113	84
Louisiana	70	146	35	116	96
Massachusetts	67	140	30	108	89
Michigan	74	142	67	137	101
Minnesota	71	140	65	120	95
Missouri	79	105	33	105	105
New Jersey	90	145	80	145	126
New York			59	120	95
North Carolina			27	34	92
Ohio			59	196	95
Oklahoma			29	116	96
Pennsylvania	72	148		125	98
South Carolina			28	111	93
Tennessee	67	108	28	97	85
Texas			29	116	96

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.
B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.
C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.
D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.
E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $6,820 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a nonworking spouse and no children, except example D which has 2 children.

TABLE 10.—TOTAL WEEKS OF POTENTIAL BENEFITS FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES [1]

	A	B	C	D	E
Arkansas	12	12		22	25
California	18	22	26	26	26
Connecticut			26	26	26
Florida			12	15	18
Georgia			25	16	18
Hawaii	26	26	26	26	26
Illinois	26	26	26	26	26
Indiana				16	20
Louisiana	14	14	28	25	28
Massachusetts	13	13	30	24	28
Michigan	14	14	18	23	26
Minnesota	13	13	17	21	25
Missouri	10	16	26	23	22
New Jersey	14	14	18	23	26
New York			26	26	26
North Carolina			26	22	25
Ohio			24	26	26
Oklahoma			26	21	24
Pennsylvania	26	26		30	30
South Carolina			26	22	24
Tennessee	12	15	26	25	26
Texas			26	17	19

[1] Total weeks of potential benefit is the maximum number of weeks the worker can receive benefits if he is unable to obtain work.

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.
B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.
C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.
D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.
E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $6,820 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a nonworking spouse and no children, except example D which has 2 children.

TABLE 11.—TOTAL BENEFIT FOR VARIOUS PART-YEAR WORKERS IN SELECTED STATES [1]

	A	B	C	D	E
Arkansas	804	1,632		2,442	2,300
California	1,224	2,552	806	2,574	2,262
Connecticut			728	3,406	2,418
Florida			720	1,800	1,710
Georgia			725	1,840	1,746
Hawaii	1,820	3,796	754	3,016	2,496
Illinois	1,742	3,640	1,170	3,848	2,418
Indiana				1,808	1,680
Louisiana	980	2,044	908	2,900	2,688
Massachusetts	871	1,820	900	2,592	2,492
Michigan	1,036	1,988	1,206	3,151	2,626
Minnesota	923	1,820	1,105	2,520	2,375
Missouri	790	1,680	858	2,415	2,310
New Jersey	1,260	2,030	1,440	3,335	3,276
New York			1,534	3,120	2,470
North Carolina			702	2,442	2,300
Ohio			1,416	5,096	2,470
Oklahoma			754	2,436	2,304
Pennsylvania	1,872	3,848		3,750	2,943
South Carolina			728	2,442	2,232
Tennessee	804	1,620	728	2,425	2,210
Texas			754	1,972	1,824

[1] Total potential benefit is the total amount of benefits available to the worker under the regular state program assuming the individual is unable to obtain work. It is the amount in Table 9 multiplied by Table 10.

A. $3.35/hr. wage; 40 hrs./wk.; 18 wks./yr.; $2,412 total yr. wages; $1,742 high quarter wages.
B. $7.00/hr. wage; 40 hrs./wk.; 18 wks./yr.; $5,040 total yr. wages; $3,640 high quarter wages.
C. $4.75/hr. wage; 25 hrs./wk.; 24 wks./yr.; $2,850 total yr. wages; $712.50 high quarter wages.
D. $8.00/hr. wage; 30 hrs./wk.; 30 wks./yr.; $7,200 total yr. wages; $2,880 high quarter wages.
E. $4.25/hr. wage; 40 hrs./wk.; 30 wks./yr.; plus $6.00 hr./wage, 40 hrs./wk.; 10 wks./yr.; $6,820 total yr. wages; $2,400 high quarter wages.

Note.—All of these examples assume a non-working spouse and no children except example D which has 2 children.

EXTENDED BENEFITS

Under the permanent Federal-State extended benefits program, additional weeks of unemployment compensation are payable to individuals who exhaust their State benefits during periods of high unemployment. Under the extended benefits program, an individual may receive additional weeks of benefits equal to one-half of the number of weeks of State benefits to which he or she was entitled. No one may receive more than 13 weeks of extended benefits, or more than 39 weeks of State plus extended benefits.

Until September 25, 1982, extended benefits are payable in a State when, for the most recent 13-week period, the State insured unemployment rate (IUR—the percentage of workers covered by the State unemployment compensation program who are currently claiming State benefits) averages or exceeds at least 4 percent and, in addition, is 20 percent higher than it was during the same 13-week period in the two previous years. When the "20 percent" factor is not met, a State, at its option, may provide extended benefits when the State IUR averages 5 percent. (39 States have incorporated the optional 5 percent trigger into their State law.)

Effective September 25, 1982, as a result of modifications enacted in the 1981 Budget Reconciliation Act, extended benefits are payable in a State when its insured unemployment rate equals or exceeds 5.0 percent (rather than 4.0 percent as under current law) and is 20 percent higher than the rate for the same period in the previous two years. If the "20 percent" factor is not met, at State option extended benefits are payable if the State's insured unemployment rate equals or exceeds 6.0 percent (rather than 5.0 percent as under present law). In addition, extended benefits claimants must have worked at least 20 weeks, or have an equivalent amount of wages, during the based period in order to receive extended benefits payments. A State may use one of the following measures of equivalent wages: (1) wages equal to 40 times the claimant's weekly benefit amount; or (2) wages equal to 1.50 times the claimant's wages earned in the quarter with the highest wages.

TABLE 12.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1980, 1981, AND 1982

	13-week insured unemployment rate			Percent of prior 2 years	Date extended benefits triggered on
	1980	1981	1982		
Alabama	3.49	4.36	4.31	109	Off.
Alaska	7.46	7.67	6.85	90	Jan. 19, 1975.
Arizona	1.59	2.31	2.49	127	Off.
Arkansas	3.68	4.78	4.84	114	Off.
California	3.07	3.73	[1] 3.84	116	Off.
Colorado	1.36	1.93	2.05	111	Off.
Connecticut	2.12	2.53	2.55	109	Off.
Delaware	2.41	3.55	3.41	114	Off.
District of Columbia	2.40	2.58	[1] 2.03	82	Off.
Florida	1.78	1.81	1.79	99	Off.
Georgia	2.05	2.32	2.97	135	Off.
Hawaii	3.11	2.86	3.29	110	Off.
Idaho	3.76	4.39	5.83	143	Oct. 18, 1981.
Illinois	3.18	4.35	4.09	108	Off.
Indiana	2.77	3.38	3.75	122	Off.
Iowa	1.74	3.05	3.10	129	Off.
Kansas	1.50	2.56	2.41	118	Off.
Kentucky	3.66	4.73	4.63	110	Off.
Louisiana	2.22	2.46	2.79	117	Off.
Maine	3.67	4.26	4.00	101	Off.
Maryland	2.25	3.05	3.40	128	Off.
Massachusetts	2.82	3.19	3.45	115	Off.
Michigan	6.00	6.14	[1] 6.18	105	Off.
Minnesota	1.86	2.72	2.87	125	Off.
Mississippi	2.57	3.97	4.31	139	Jan. 17, 1982.
Missouri	3.02	3.91	3.76	108	Off.
Montana	3.03	3.93	4.13	118	Off.
Nebraska	1.02	1.77	2.06	141	Off.
Nevada	2.31	3.50	3.66	126	Off.
New Hampshire	1.41	1.98	2.06	121	Off.
New Jersey	4.22	4.26	4.15	97	Off.
New Mexico	2.04	2.87	2.57	104	Off.
New York	3.63	3.58	3.34	92	Off.
North Carolina	1.93	3.06	3.69	147	Off.
North Dakota	1.82	2.52	2.15	99	Off.
Ohio	3.41	4.43	4.79	122	Jan. 17, 1982.

TABLE 12.—STATE EXTENDED BENEFIT INDICATORS FOR THE FIRST WEEK IN JANUARY 1980, 1981, AND 1982—Continued

	13-week insured unemployment rate			Percent of prior 2 years	Date extended benefits triggered on
	1980	1981	1982		
Oklahoma	1.36	1.52	[1] 1.44	102	Off.
Oregon	3.65	5.09	6.55	149	Mar. 16, 1980.
Pennsylvania	4.13	4.66	4.78	108	Off.
Puerto Rico	9.10	7.87	8.67	101	Feb. 23, 1975.
Rhode Island	4.51	4.52	4.85	107	Off.
South Carolina	2.44	3.78	4.38	140	Jan. 10, 1982.
South Dakota	1.13	2.11	[1] 2.00	133	Off.
Tennessee	3.33	4.02	4.39	119	Off.
Texas	1.20	1.53	0.99	64	Off.
Utah	1.98	2.95	3.03	123	Off.
Vermont	3.40	3.95	3.80	103	Off.
Virgin Islands	1.33	1.73	1.87	122	Off.
Virginia	3.11	2.78	3.48	118	Off.
Washington	3.19	4.57	5.53	142	July 6, 1980.
West Virginia	3.97	5.48	4.72	99	Off.
Wisconsin	3.20	5.04	4.91	119	Jan. 3, 1982.
Wyoming	0.81	1.56	1.79	129	Off.
U.S. average	3.17	3.79	(2)	(2)	(3)

[1] Last week in 1981.
[2] Not available.
[3] Not applicable.

TAXATION OF UNEMPLOYMENT INSURANCE BENEFITS

The Revenue Act of 1978 (Public Law 95-600) provided that State and Federal unemployment insurance benefits would be subject to the Federal income tax for certain taxpayers. Effective for taxable years beginning after December 31, 1978, the amount of unemployment insurance benefits subject to the Federal tax is, generally, an amount equal to the lower of the amount of unemployment compensation or one-half of the excess of adjusted gross income, unemployment insurance payments, and excludable disability income over $20,000 for single taxpayers, over $25,000 for married taxpayers filing jointly, and over zero for married taxpayers filing separately.

ADMINISTRATIVE FINANCING

State unemployment insurance administrative expenses are federally financed through an earmarked portion of FUTA revenue. Under current law, 0.45 percent of FUTA receipts are available for administration. Appropriations for administrative grants to the

States may not exceed an estimated 95 percent of the annual revenue yield from the 0.45 percent. The remaining 0.05 percent goes to finance Federal administration. (The additional FUTA revenue not earmarked for administrative purposes finances the Federal share of extended unemployment benefits and unemployment loans to the States.) Title III of the Social Security Act specifies the conditions which a State must meet to be eligible for administrative grants.

Section 8. Aid to Families With Dependent Children (Title IV-A)

ELIGIBILITY

Aid to dependent children (ADC) was established by the Social Security Act of 1935 as a cash grant program to enable States to aid needy children without fathers. Renamed aid to families with dependent children (AFDC), the program provides cash welfare payments for needy children (and their mothers or other caretaker relatives), who have been deprived of parental support or care because:

—their fathers are absent from home continuously (85.9 percent of the children), are incapacitated (5.3 percent), deceased (2.2 percent), or unemployed (5.2 percent); or

—their mothers are incapacitated, absent or dead (1.4. percent). (Percentages are from the 1979 AFDC Study.)

States define "need," set their own benefit levels, establish (within Federal limitations) income and resource limits, and administer the program or supervise its administration. All States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands offer AFDC to needy children without able-bodied fathers at home, and 23 jurisdictions offer Federal cash supplements also to children in two-parent families who are needy because of the unemployment of one of their parents (aid to families with dependent children of unemployed parents (AFDC-UP). Eligibility for AFDC on the basis of a parent's unemployment is limited to those families in which the principal wage earner is unemployed.

Eligibility for federally aided AFDC ends on a child's 18th birthday, or at State option upon a child's 19th birthday if the child is a full-time student in a secondary or technical school and may reasonably be expected to complete the program before he or she reaches age 19.

Prior to the amendments contained in the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, a State could continue benefits through age 20 for students.

Federal law requires certain able-bodied recipients, including mothers whose youngest child is at least 6 years old, to register for training and employment services (which may include job search for no more than 8 weeks per year) under the work incentive program (WIN). Public Law 97-35 allows States to establish community work experience programs under which AFDC recipients would be required to work on public projects in return for their AFDC benefits. Persons exempt under present law from participation in the WIN program would also generally be exempt from participation in these programs except that parents caring for children under age 6 (but not under age 3) could be required to participate if child care is available.

Federal law also requires AFDC mothers to assign their child support rights to the State and to cooperate with welfare officials in establishing the paternity of a child born outside of marriage and in obtaining support payments from the father.

FINANCING

The Federal Government pays at least 50 percent of each State's benefit payments and more than 70 percent in four States. Federal matching for AFDC varies from State to State depending, in part, on per capita income. Under matching formulas in the law, about 55 percent of each AFDC benefit dollar is paid by the Federal Government and 45 percent is paid by the States, some of of which require local governments to share costs. The Federal share varies among States, ranging from 50 percent to 77.36 percent, and it is inversely related to State per capita income. The Federal Government pays 50 percent of administrative costs in all States.

The Federal share of AFDC payments is determined by either the "regular" formula specified in title IV of the Social Security Act or, if the State has a medical assistance (medicaid) program under title XIX of the act, an alternate formula specified in title XIX of the act.

AFDC Formula

Under the regular, two-part formula, the aggregate amount of a State's AFDC expenditures eligible for Federal financial participation is based on the average monthly payment per recipient,[1] up to a ceiling of $32, multiplied by the number of recipients.[2] The first part of the formula is uniform for all States, with Federal funds representing ⅚ of the first $18 per month of the average payment per recipient made by the State multiplied by the total number of recipients.[3] The second part of the formula provides for a specified percentage (50 to 65 percent, based on relative per capita income) of the next $14 per month of the average payment multiplied by the number of recipients. The maximum amount paid with Federal dollars is $24.10 per recipient $[(\frac{5}{6}\times 18)+(0.65\times 14)]$. Average payments over $32 are financed from State and local funds.

The actual formula used in determining the State and Federal share of payments between $18 and $32 is as follows:

State share = State per capita income squared/national per capita income squared × 50 percent

Federal share = 100 percent − State share (with Federal minimum of 50 percent and maximum of 65 percent)

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[1] To calculate average monthly AFDC benefits per recipient divide total annual AFDC payments by the average monthly number of recipients and then divide by 12.

[2] However, under the AFDC foster care program the ceiling is $100 multiplied by the number of foster care recipients.

[3] For the outlying areas (Guam, Puerto Rico, and the Virgin Islands) the "regular" AFDC formula provides 50 percent of AFDC benefit expenditures, up to a ceiling of $18 monthly in average benefits. These areas use instead a special version of the medicaid matching formula, which provides a 75 percent Federal funding share for AFDC; but the law imposes a ceiling on total Federal funds.

As of late 1981, only Texas and Arizona used this formula, which places a ceiling on average benefits eligible for Federal matching.

Medicaid Formula

States with medicaid programs may choose to use the medicaid cost-sharing formula for their AFDC benefits.

The actual formula used in determining the State and Federal share is as follows:

State share = State per capita income squared/national per capita income squared × 45 percent

Federal share = 100 percent − State share (with a minimum of 50 percent and a maximum of 83 percent)

The Federal share of the benefits is shown in Table 1.

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1983

State	1978–79 [2]	1980–81 [3]	1982–83 [4]
Alabama	72.58	71.32	71.13
Alaska	50.00	50.00	50.00
Arizona (37.9 percent in fiscal year 1980)			
Arkansas	72.06	72.87	72.16
California	50.00	50.00	50.00
Colorado	53.71	53.16	52.28
Connecticut	50.00	50.00	50.00
Delaware	50.00	50.00	50.00
District of Columbia	50.00	50.00	50.00
Florida	56.55	58.94	57.92
Georgia	65.82	66.76	66.28
Guam (Federal funds limited)	[5] 50.00	[6] 75.00	75.00
Hawaii	50.00	50.00	50.00
Idaho	6358	65.70	65.43
Illinois	50.00	50.00	50.00
Indiana	57.86	57.28	56.73
Iowa	51.96	56.57	55.35
Kansas	52.35	53.52	52.50
Kentucky	69.71	68.07	67.95
Louisiana	70.45	68.82	66.85
Maine	69.74	69.53	70.63
Maryland	50.00	50.00	50.00
Massachusetts	51.62	51.75	53.56

TABLE 1.—FEDERAL SHARE OF THE AFDC PROGRAM,[1] FISCAL YEARS 1978 THROUGH 1983—Continued

State	1978–79 [2]	1980–81 [3]	1982–83 [4]
Michigan	50.00	50.00	50.00
Minnesota	55.26	55.64	54.39
Mississippi	78.09	77.55	77.36
Missouri	60.66	60.36	60.38
Montana	61.10	64.28	65.34
Nebraska	53.46	57.62	58.12
Nevada	50.00	50.00	50.00
New Hampshire	62.85	61.11	59.41
New Jersey	50.00	50.00	50.00
New Mexico	71.84	69.03	67.19
New York	50.00	50.00	50.88
North Carolina	67.81	67.64	67.81
North Dakota	50.71	61.44	62.11
Ohio	55.46	55.10	55.10
Oklahoma	65.42	63.64	59.91
Oregon	57.29	55.66	52.81
Pennsylvania	55.11	55.14	56.78
Puerto Rico (Federal funds limited)	[5] 50.00	[6] 75.00	75.00
Rhode Island	57.00	57.81	57.77
South Carolina	71.93	70.97	70.77
South Dakota	63.80	68.78	68.19
Tennessee	68.88	69.43	68.53
Texas (67.2 percent in fiscal year 1980)			
Utah	68.98	68.07	68.64
Vermont	68.02	68.40	68.59
Virgin Islands (Federal funds limited)	[5] 50.00	[6] 75.00	75.00
Virginia	57.01	56.54	56.74
Washington	51.64	50.00	50.00
West Virginia	70.16	67.35	67.95
Wisconsin	58.53	57.95	58.02
Wyoming	53.44	50.00	50.00

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[1] Except in States that elect an alternate formula. Texas and Arizona did so in fiscal year 1981. Preliminary data indicate that Federal funds paid about 40.8 percent of AFDC benefits in Arizona and 65.0 percent in Texas in fiscal year 1981. The Federal medicaid matching rates are 60.81, 61.47, and 59.87 percent for Arizona and 60.66, 58.35, and 55.75 percent for Texas for fiscal years 1978–79, 1980–81, and 1982–83, respectively.

[2] Effective Oct. 1, 1977, through Sept. 30, 1979.

[3] Effective Oct. 1, 1979, through Sept. 30, 1981.

[4] Effective Oct. 1, 1981, through Sept. 30, 1983.

[5] Public Law 95–600 changed the Federal share for fiscal year 1979 from 50 to 75 percent.

[6] Public Law 96–272 made permanent the 75-percent matching rate for AFDC effective Oct. 1, 1979. For medicaid the matching rate remains 50 percent.

Source: Department of Health and Human Services.
Prepared by: Subcommittee on Public Assistance and Unemployment Compensation.

FEDERAL AND STATE EXPENDITURES

In fiscal year 1980 AFDC benefits totaled $11.3 billion, and benefits in fiscal year 1981 are estimated at $12.5 billion. Of total fiscal year 1980 benefits, $6.1 billion or 54 percent was paid by the Federal Government. Table 2 presents State and Federal expenditures for selected years.

At the start of fiscal year 1980, 11 States required their localities to pay some portion of benefit costs. These States are:

California, Colorado, Indiana, Minnesota, Montana, New Jersey, New York, North Carolina, North Dakota, Ohio and Wyoming.

The State-by-State expenditures and average number of recipients for fiscal year 1981 are shown in Table 3.

TABLE 2.—STATE AND LOCAL AND FEDERAL EXPENDITURES FOR THE AFDC PROGRAM FOR FISCAL YEARS 1970, 1975, 1977, AND 1979–83

[In millions of dollars]

	1970	1975	1977	1979	1980	1981	1982 [1]	1983
Federal	$2,332	$5,141	$6,202	$6,280	$7,167	$7,921	$7,998	(4)
Benefits	2,179	4,625	5,626	5,621	6,448	[2] 7,083	7,119	[1] $6,833
Administrative	[2] 153	516	576	659	719	838	879	(4)
State-local	2,039	4,304	5,339	5,426	6,227	6,866	6,298	(4)
Benefits	1,886	3,787	4,762	4,766	5,508	[2] 6,029	5,427	[5] 5,593
Administrative	[2] 153	517	577	660	719	837	871	(4)
Total:								
AFDC benefits	4,065	8,412	10,388	[3] 10,387	11,956	[2] 13,112	12,946	[5] 12,426
AFDC-U	233	359	617	522	737	[2] 1,100	NA	NA
Emergency assistance	11.8	77	69	81	109	129	121	(6)
Administration	[2] 306	1,033	1,153	1,319	1,438	1,675	1,750	(4)

[1] Present law estimate of Department of Health and Human Services (fiscal year 1983 budget press release).

[2] Estimate.

[3] Excludes foster care.

[4] The fiscal year 1983 budget proposes to end open-ended matching for State-local tests of administering AFDC, food stamps, and medicaid, providing instead a capped combined payment for the three programs.

[5] Estimate derived from Federal benefit figure.

[6] Beginning in 1983, the President proposes to discontinue Federal funding for emergency assistance and to broaden the uses of the low income home energy assistance block grant to include emergency assistance.

NA=Not available.

Note.—Foster care costs are exluded from benefit data for 1979 and later years.

TABLE 3.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1981 (PRELIMINARY DATA)

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (millions)	Total administrative costs (millions)	Administrative cost per AFDC family
Alabama	61.2	$77,478	$14,938	$244
Alaska	6.2	34,328	3,828	617
Arizona	22.4	42,974	9,410	420
Arkansas	29.6	51,061	6,410	216
California	520.1	25,436,678	288,104	553
Colorado	29.3	88,567	10,654	363
Connecticut	50.0	205,222	13,460	269
Delaware	12.0	32,070	2,938	244
District of Columbia	28.8	88,726	12,020	417
Florida	102.9	352,993	70,400	684
Georgia	91.0	181,838	28,058	308
Hawaii	20.1	93,240	5,962	296
Idaho	7.3	22,043	4,516	618
Illinois	231.1	790,084	87,032	376
Indiana	61.1	145,368	21,100	345
Iowa	40.5	160,407	12,900	318
Kansas	28.6	88,287	9,186	321
Kentucky	67.6	146,427	19,298	285
Louisiana	71.3	130,462	25,236	353
Maine	21.1	58,161	4,422	209
Maryland	31.5	226,486	15,574	494
Massachusetts	124.1	533,084	50,506	406
Michigan	246.9	1,147,246	124,304	503
Minnesota	54.6	242,432	22,424	410
Mississsippi	60.3	62,117	6,968	115
Missouri	73.5	183,350	26,968	366
Montana	7.3	19,014	2,870	393
Nebraska	14.0	46,878	6,520	465
Nevada	5.2	12,390	3,344	643
New Hampshire	8.7	28,151	2,726	313
New Jersey	153.8	563,624	59,320	385
New Mexico	19.5	45,816	7,714	395
New York	369.4	1,508,984	273,496	740
North Carolina	80.2	157,553	18,848	235
North Dakota	4.9	15,773	2,040	416
Ohio	205.2	617,250	61,058	297

TABLE 3.—AVERAGE MONTHLY NUMBER OF AFDC FAMILIES, TOTAL BENEFIT PAYMENTS, TOTAL ADMINISTRATIVE COSTS, AND ADMINISTRATIVE COST PER AFDC FAMILY BY STATE, FISCAL YEAR 1981 (PRELIMINARY DATA)—Continued

State	Average monthly number of AFDC families (thousands)	Total benefit payments[1] (millions)	Total administrative costs (millions)	Administrative cost per AFDC family
Oklahoma	31.1	$89,928	$17,296	$556
Oregon	34.9	110,950	19,566	560
Pennsylvania	221.0	764,465	105,766	478
Rhode Island	19.1	75,257	6,244	325
South Carolina	58.1	79,050	12,016	206
South Dakota	6.9	17,252	2,582	374
Tennessee	66.1	85,093	16,816	254
Texas	108,4	127,704	41,326	381
Utah	13.7	50,419	5,918	431
Vermont	8.3	38,889	2,888	347
Virginia	64.9	172,639	26,082	401
Washington	57.1	237,614	28,524	499
West Virginia	28.6	61,152	5,568	194
Wisconsin	87.8	381,169	35,844	408
Wyoming	2.7	8,470	1,402	519
Guam	1.5	3,108	452	301
Puerto Rico	47.4	61,995	11,778	248
Virgin Islands	1.2	2,700	328	273
U.S. total	3,871.0	13,112,116	1,674,928	433

[1] Excludes foster care payments.

Source: Department of Health and Human Services.

BENEFIT LEVELS

Each State establishes a "need standard" (the income the State decides is essential for basic consumption items) and a "payment standard" (100 percent or less of the need level). Benefits are computed by subtracting countable income from the State's payment standard.

Maximum AFDC payments vary sharply from State to State as shown by Tables 4 and 5. State payments for AFDC families of three in November 1981 ranged from $96 in Mississippi to $571 in Alaska. Table 4 presents maximum monthly potential AFDC and food stamp benefits for a one-parent family of three persons, as of November 1981. Since January 1981, 19 States and one jurisdiction have increased the maximum grant for three-person families. Five States decreased benefits. The amount of the increase is shown in column 2 of Table 4.

TABLE 4.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY [1] OF THREE PERSONS, NOVEMBER 1981

	Maximum AFDC grant [2]	Increase since January, 1981	Food stamp benefit [3]	Combined benefits	As percent of estimated 1981 poverty threshold [4]
Alabama	$118	0	$183	$301	50
Alaska	571	57	215	786	104
Arizona	202	0	182	384	64
Arkansas	122	−39	183	305	50
California	506	43	91	597	99
Colorado	313	2	149	462	76
Connecticut	498	92	94	592	98
Delaware	266	0	163	429	71
District of Columbia	286	0	157	443	73
Florida	195	0	183	378	63
Georgia	183	19	183	366	61
Hawaii	468	0	250	718	103
Idaho	305	23	151	456	75
Illinois	302	0	152	454	75
Indiana	255	0	166	421	70
Iowa	360	0	135	495	82
Kansas	353	8	137	490	81
Kentucky	188	0	183	371	61
Louisiana	173	0	183	356	59
Maine	301	21	153	454	75
Maryland	270	0	162	432	71
Massachusetts	379	0	129	508	84
Michigan (December 1, 1981)	[5] 464	2	116	580	96
(Wayne County) December 1, 1981)	[5] (436)	0	(124)	(560)	93
Minnesota	446	29	109	555	92
Mississippi	96	0	183	279	46
Missouri	248	0	169	417	69
Montana	278	19	160	438	72
Nebraska	350	15	138	488	81
Nevada	241	−21	171	412	68
New Hampshire	326	−20	148	474	78
New Jersey	360	0	135	495	82
New Mexico	233	13	173	406	67
New York [6]	507	30	100	607	100
(New York City) [6]	(424)	30	(125)	(569)	94

TABLE 4.—MAXIMUM MONTHLY POTENTIAL BENEFITS, AFDC AND FOOD STAMPS—ONE-PARENT FAMILY [1] OF THREE PERSONS, NOVEMBER 1981—Continued

	Maximum AFDC grant [2]	Increase since January, 1981	Food stamp benefit [3]	Combined benefits	As percent of estimated 1981 poverty threshold [4]
North Carolina	192	0	183	375	62
North Dakota	334	0	143	477	79
Ohio	263	0	164	427	71
Oklahoma	282	0	158	440	73
Oregon [6]	339	0	183	522	86
Pennsylvania	332	14	143	485	80
Rhode Island	367	−86	133	500	83
South Carolina	129	0	183	312	52
South Dakota	321	0	147	468	77
Tennessee	122	0	183	305	50
Texas	118	2	183	301	50
Utah	348	0	139	487	81
Vermont	506	14	91	597	99
Virginia	310	52	150	460	76
Washington	415	−25	118	533	96
West Virginia	206	0	181	387	64
Wisconsin	473	29	101	574	95
Wyoming	315	0	148	463	77
Guam	262	0	256	518	86
Puerto Rico [7]	+91	0	−174	+265	44
Virgin Islands	209	42	215	424	70
Median State	302	0	152	454	75

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[1] In most States these benefit amounts apply also to two-parent families of three (where the second parent is incapacitated, or, as permitted in almost half the States, unemployed). Some, however, increase benefits for such families.

[2] In States with area differentials, figure shown is for area with highest benefit.

[3] Food stamp benefits are based on maximum AFDC benefits shown and assume deductions of $200 monthly ($85 standard household deduction plus $115 maximum allowable deduction for excess shelter cost and/or dependent care) in the 48 contiguous States and D.C. In the remaining five jurisdictions these maximum allowable food stamp deductions are assumed: Alaska, $345; Hawaii, $285; Guam, $310; Puerto Rico, $90; and Virgin Islands, $160. If only the standard deduction were assumed, food stamp benefits would drop by $35 monthly in most of the 48 contiguous States and D.C. (by less than $35 in States with AFDC benefits below $200); and by $60 in Alaska, $50 in Hawaii, $41 in Guam; $12 in Puerto Rico, and $26 in the Virgin Islands. Maximum food stamp benefits from January 1981 through March 1982 are $183 for a family of three except in these 5 jurisdictions, where they are as follows: Alaska, $283; Hawaii, $250; Guam, $256; Puerto Rico, $174; and Virgin Islands, $230.

[4] Except for Alaska and Hawaii, this column is based on an unofficial preliminary estimate of the Census Bureau's 1981 poverty threshold for a family of three persons, $7,253, converted to a monthly rate of $604.

For Alaska, this threshold was increased by 25 percent; for Hawaii, by 15 percent, following the practice of the Office of Management and Budget (OMB).

[5] This includes a special heating allowance of $41 monthly for four months (December 1981 through March 1982). This allowance is disregarded by the Food Stamp Program.

[6] In these States part of the AFDC cash payment has been designated as energy aid and is disregarded by the State in calculating food stamp benefits. New York disregards $30, the full amount of a benefit boost voted in May 1981. Oregon disregards $155.59. See also footnote 4.

[7] Plus 57 percent of rent as paid.

Table 4 assumes that the AFDC family can take the maximum shelter deduction of $115 in the food stamp program. Approximately 75 percent of all households in the food stamp program take a shelter deduction and about 19 percent of all households take the maximum deduction, according to a 1979 survey. For families with no shelter deduction, the monthly food stamp and combined benefit amount is reduced by $34.50.

Table 5 presents maximum AFDC benefits by State for families ranging from 2 to 6 persons as of November 1981.

TABLE 5.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE,[1] NOVEMBER 1981

State	2-person family	3-person family	4-person family	5-person family	6-person family
Alabama	$89	$118	$148	$177	$207
Alaska*	400	571	634	697	760
Arizona	156	202	244	279	312
Arkansas	101	122	142	161	179
California*	408	506	601	686	771
Colorado*[2]	247	313	379	450	519
Connecticut*[3]	402	498	581	655	732
Delaware*	197	266	312	386	440
District of Columbia	225	286	349	402	473
Florida*[4]	150	195	230	265	300
Georgia	153	183	216	247	268
Hawaii*[5]	390	468	546	626	709
Idaho	245	305	345	385	418
Illinois[6]	250	302	368	434	495
Indiana	195	255	315	375	435
Iowa*	292	360	419	464	516
Kansas*[7]	297	353	399	440	481
Kentucky*	162	188	235	275	310
Louisiana[8]	125	173	213	252	287
Maine[9]	223	301	378	455	532
Maryland*	211	270	326	377	416
Massachusetts	314	379	445	510	575
Michigan[10] (December 1981)	391	464	533	609	689
(Wayne County) (December 1981)	(364)	(436)	(506)	(582)	(661)
Minnesota*	368	446	520	584	647

TABLE 5.—MAXIMUM AFDC BENEFITS, BY FAMILY SIZE,[1] NOVEMBER 1981—Continued

State	2-person family	3-person family	4-person family	5-person family	6-person family
Mississippi	60	96	120	144	168
Missouri	199	248	290	329	366
Montana* [11]	234	278	356	420	473
Nebraska*	280	350	420	490	560
Nevada	194	241	288	335	383
New Hampshire* [12]	278	326	372	418	476
New Jersey*	273	360	414	468	522
New Mexico*	189	233	281	324	354
New York* [13]	424	507	602	686	752
(New York City)	(356)	(424)	(515)	(592)	(672)
North Carolina	167	192	210	230	248
North Dakota*	270	334	408	464	511
Ohio	216	263	327	381	424
Oklahoma*	218	282	349	409	468
Oregon*	286	339	409	480	547
Pennsylvania* [14]	273	332	395	451	490
Rhode Island* [15]	298	367	420	473	533
South Carolina	99	129	158	188	217
South Dakota* [16]	280	321	361	401	441
Tennessee	97	122	148	174	201
Texas [17]	85	118	141	164	183
Utah	269	348	415	527	623
Vermont [18]	423	506	566	640	684
Virginia [19]	258	310	360	428	468
Washington* [20]	339	415	501	593	671
West Virginia [21]	164	206	249	284	322
Wisconsin [22]	401	473	563	647	699
Wyoming* [23]	280	315	340	390	445
Guam*	202	262	307	337	367
Puerto Rico [24]	+64	+91	+119	+146	+173
Virgin Islands*	154	209	263	317	371

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*These States pay 100 percent of the need standard.

[1] Maximum benefit paid for a family of given size with zero countable income. Family members include 1 adult caretaker.

[2] Colorado no longer has separate payment schedules for winter months and non-winter months.

[3] Connecticut has three rent regions. Data shown are from rent region A which has the highest rents.

[4] Florida has two payment schedules—one that includes shelter expenses and one that does not. Data shown include shelter.

[5] The Hawaii figures include shelter maximums of $215, $240, $265, $290, and $320 for an AFDC family with 2 recipients to 6 recipients, respectively.

[6] Illinois divides itself into 3 distinct areas with regard to payment schedules. Data shown are from the Cook County area, which includes Chicago.

[7] Kansas has a basic standard and a shelter standard. The shelter standard varies from area to area (i.e. from $72 monthly to $128 monthly). The shelter payment in Topeka and some of the other larger cities is about $100 monthly. The figures shown include a shelter standard of $128 monthly.

[8] Louisiana has two payment schedules—one for urban areas, from which our data were taken, and one for rural areas.

[9] Maine also has a children only schedule.

[10] Michigan has varied shelter maximums. Shown are benefits for Washtenaw County (Ann Arbor) and Wayne County (Detroit).

[11] Montana has two payment schedules—one with shelter costs included and the other without shelter costs. Data shown include shelter.

[12] New Hampshire payment schedules include a basic maintenance allowance plus an additional amount depending on the type of shelter: (1) no heat or utilities included in the shelter costs, (2) either heat or utilities included, or (3) both heat and utilities included. Data shown include both heat and utilities.

[13] New York has payment schedules for each social service district. The figures include energy payments.

[14] Pennsylvania has four regions. The figures in the table are from region 1, which has the highest benefits.

[15] Rhode Island has a winter and non-winter payment schedule. The figures in the table are from the non-winter schedule which lasts from April through November. The winter schedule lasts from December through March.

[16] The South Dakota figures include rent of $120 monthly and utilities equal to $43 monthly.

[17] Texas also has a payment schedule for children only.

[18] Vermont has a base amount plus a housing maximum which depends on whether the recipient is living in a furnished or unfurnished apartment inside or outside of Chittenden County. 69 percent of the [base amount + housing allowance] is equal to the largest amount paid to a recipient with no other income. The figures in the table assume the recipient is in a furnished apartment (the amount paid for a furnished apartment is constant statewide—i.e. $217).

[19] Virginia has three payment schedules. The figures shown are from area 3 which has the highest benefits.

[20] Washington has two areas. The figures in the Table are from the area 1 payment schedule which has the bulk of the population and the higher benefit levels.

[21] West Virginia has three payment schedules. The figures show the higher benefit levels.

[22] Wisconsin has two payment schedules. The figures show the higher benefit levels.

[23] Wyoming has two payment schedules—one that includes shelter costs and one that excludes shelter costs. The figures shown include shelter.

[24] Puerto Rico pays 57 percent of need plus rent as paid.

Source: Congressional Research Service.

States are required by Federal law to disregard certain earned income when determining the amount of benefits to which a recipient family is entitled. Prior to the Omnibus Budget Reconciliation Act of 1981, in order to provide a financial incentive for recipients to seek and maintain employment, Federal law required the deduction of an initial $30 in monthly earnings plus one-third of remaining earnings, plus work expenses (any expenses, including child care costs, reasonably attributable to the earning of income). When making an initial determination of eligibility, however, only work expenses were disregarded.

Amendments in the Budget Reconciliation Act of 1981 limit the disregard for work expenses to $75 per month for full-time employment and cap the child care disregard at $160 per month per child. The $30 plus one-third disregard is allowed for only 4 consecutive months in a 12-month period. Further, States are prohibited from paying AFDC to any family with a *gross* income at or above 150 percent of the State's standard of need. These changes substantially reduce the amount of earnings a recipient may have and still receive some amount of AFDC.

The following example illustrates the impact of these changes on a mother working full time at the minimum wage. The need and payment standard are assumed to be $420 per month.

	Prior law	Current law	
		First 4 months	After 4 months
Gross earnings	581	581	581
Plus earned income credit	+32	+32	+32
Minus disregards:			
Initial disregards	−30	−105	−75
One-third of rest	−194	(1)	(1)
Child care	−100	−100	−100
One-third of rest	(1)	−136	0
Other expenses (e.g., payroll tax and transportation	−70	0	0
Total disregards	394	341	175
Total Income to count against AFDC benefits	219	272	438
AFDC benefits	201	148	0

[1] Not applicable.

AFDC eligibility and benefits are determined monthly. Public Law 97-35 requires States to determine eligibility on the basis of the family's circumstances in the current month; payment amounts must be determined "retrospectively"—on the basis of the family's countable income and resources in the preceding month (or at the discretion of the Secretary of Health and Human Services, the second preceding month). In addition, all AFDC recipients are required to provide monthly reports on income, family composition, and resources as a condition of continued eligibility.

Public Law 97-35 requires part of the income of a stepparent to be counted in determining eligibility and benefit amounts. It limits allowable resources to $1,000 (equity value) per family, excluding the home and one automobile if the family member's ownership interest does not exceed a limit chosen by the Secretary of Health and Human Services. HHS regulations set $1,500 as the equity value limit for the automobile and permit States to exclude from countable resources "basic items essential to day to day living," such as clothing and furniture.

AFDC also provides cash aid for foster care of AFDC-eligible children removed from their homes by judicial order and, under certain conditions, for those *voluntarily placed* in foster care. In August 1980, foster care payments were made on behalf of 100,146 children, 1.3 percent of all children enrolled. Payments averaged $375 per child ($253 per child in foster care family homes, $1,103 per child in child care institutions).

NUMBER OF BENEFICIARIES AND AVERAGE BENEFIT LEVELS

Table 6 presents the number of individuals receiving AFDC benefits for selected months since 1970. As of October 1981, AFDC family enrollment was 3.8 million. This included 10.9 million recipients of whom 7.5 million (69 percent) were children. Of these AFDC families, 215,000 were two-parent families eligible because of an unemployed parent.

Table 6 also presents data on the average benefit per family and per recipient for selected months.

TABLE 6.—HISTORICAL TRENDS IN TOTAL BENEFIT PAYMENTS; NUMBER OF FAMILIES AND INDIVIDUALS RECEIVING AFDC; AVERAGE PAYMENT PER RECIPIENT AND PER FAMILY; AND MAXIMUM AND MEDIAN STATE GRANT FOR A FOUR-PERSON FAMILY, FOR SELECTED YEARS FROM 1970 TO 1981

	December				October
	1970	1975	1977	1979	1981 [1]
AFDC recipients (thousands):					
Total families	2,553	3,553	3,547	3,560	3,755
Total recipients	9,660	11,383	10,780	10,379	10,907
Total children	7,034	8,086	7,572	7,207	7,500
Unemployed parent families	157	132	127	116	215
Foster care children	NA	117	107	101	NA
AFDC payments:					
Total benefits [2] (thousands)	[3] 483,438	821,746	893,999	971,299	1,131,000
Average monthly benefit per family	[3] 188.78	229.75	250.43	270.74	301.00
Average monthly benefit per person	49.89	71.72	82.40	92.86	103.00
Median State benefit in July for a family unit of 4 with no income	225	294	314	340	360
Median State benefit in July in constant dollars [4]	492	470	447	413	360
Maximum State benefit in July for a family unit of 4 with no income	375	497	563	563	634
Maximum State benefit in July in constant dollars [5]	820	795	802	684	634

[1] Recipient and payment data are preliminary figures for October.

[2] Includes emergency assistance.

[3] Includes December share of Massachusetts quarterly special needs payment.

[4] The constant dollar numbers were calculated using the CPI-XI monthly consumer price index series.

[5] Estimate.

The median State benefit for a family of four increased from $225 to $360 per month. In constant dollars, the median benefit for a family of four decreased from $492 to $360.

Table 7 presents the number of recipients and the average payment per family and per recipient by State for December 1980.

TABLE 7.—AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1980, (INCLUDES NONMEDICAL VENDOR PAYMENTS, UNEMPLOYED PARENTS SEGMENT, AND AFDC FOSTER CARE)

State	Number of families (thousands)	Number of recipients (thousands)		Payments to recipients, average per—	
		Total	Children	Family	Recipient
Total	3,843	11,101	7,599	$289	$100
Alabama	63	178	128	110	39
Alaska	7	16	11	392	163
Arizona	22	60	44	177	64
Arkansas	30	85	62	146	51
California	511	1,498	996	431	147
Colorado	29	81	55	258	94
Connecticut	49	140	96	371	131
Delaware	12	34	24	227	82
District of Columbia	30	82	57	253	93
Florida	103	279	199	176	65
Georgia	90	234	169	140	54
Guam	1	5	4	212	60
Hawaii	20	61	41	386	126
Idaho	8	20	14	275	102
Illinois	223	691	483	282	91
Indiana	60	170	119	205	73
Iowa	40	111	74	310	113
Kansas	28	72	51	282	109
Kentucky	67	175	122	186	71
Louisiana	72	219	160	156	51
Maine	21	58	40	231	86
Maryland	81	220	149	239	88
Massachusetts	125	348	227	350	126
Michigan	247	753	494	390	128
Minnesota	54	146	96	345	128
Mississippi	60	176	130	88	30
Missouri	74	216	145	228	78
Montana	7	20	14	231	83
Nebraska	14	38	26	287	104
Nevada	5	14	10	214	79
New Hampshire	9	24	16	275	101
New Jersey	154	469	321	319	105
New Mexico	20	56	39	190	66
New York	368	1,110	763	372	123
North Carolina	80	202	143	163	64

TABLE 7.—AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1980, (INCLUDES NONMEDICAL VENDOR PAYMENTS, UNEMPLOYED PARENTS SEGMENT, AND AFDC FOSTER CARE)—Continued

State	Number of families (thousands)	Number of recipients (thousands)		Payments to recipients, average per—	
		Total	Children	Family	Recipient
North Dakota	5	13	9	291	108
Ohio	200	572	380	251	88
Oklahoma	32	92	67	250	86
Oregon	35	94	61	263	99
Pennsylvania	219	637	435	296	102
Puerto Rico	46	170	118	61	17
Rhode Island	19	54	37	406	141
South Carolina	58	156	111	116	43
South Dakota	7	19	13	224	83
Tennessee	66	174	123	113	43
Texas	106	320	232	108	36
Utah	14	44	27	323	103
Vermont	8	24	15	349	117
Virgin Islands	1	3	3	196	66
Virginia	65	176	122	222	82
Washington	62	173	108	380	135
West Virginia	28	80	61	177	62
Wisconsin	85	232	154	376	138
Wyoming	3	7	5	263	103

Source: Department of Health and Human Services.

Table 8 shows the 27 jurisdictions that had AFDC–UP programs and their December 1980 enrollment of unemployed parent families. Michigan and California accounted for 49 percent of this program's recipients. During 1981, four of these States dropped the AFDC-UP program: Iowa, Missouri, Utah, and Washington.

TABLE 8.—AID TO FAMILIES WITH DEPENDENT CHILDREN, UNEMPLOYED PARENT SEGMENT (AFDC-UP), RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS BY STATE, DECEMBER 1980 (INCLUDES NONMEDICAL VENDOR PAYMENTS)

State	Number of families	Total number of recipients	Payments to recipients, average per—	
			Family	Recipient
Total	192,603	820,455	$430	$101
California	58,976	254,026	517	120
Colorado	1,355	5,699	373	89
Connecticut	780	3,456	522	118
Delaware	388	1,645	296	70
District of Columbia	214	910	330	78
Guam	142	709	285	57
Hawaii	940	4,336	453	98
Illinois	8,412	37,283	391	88
Iowa	2,979	11,893	370	93
Kansas	921	3,562	375	97
Maryland	1,313	5,663	310	72
Massachusetts	4,767	20,214	438	103
Michigan	34,003	144,151	458	108
Minnesota	3,393	14,196	430	103
Missouri	2,474	10,695	277	64
Montana	438	1,860	275	65
Nebraska	227	1,056	389	84
New Jersey	5,692	24,284	380	89
New York	10,905	48,547	379	85
Ohio	22,870	94,101	323	78
Pennsylvania	10,858	46,138	348	82
Rhode Island	330	1,416	456	106
Utah	2,026	9,000	393	88
Vermont	657	2,789	409	96
Washington	7,015	28,673	447	109
West Virginia	3,583	15,075	215	51
Wisconsin	6,944	29,078	444	106

Source: Department of Health and Human Services.

INTERACTION OF AFDC WITH MEDICAID, FOOD STAMPS, AND THE TAX SYSTEM UNDER PRIOR AND CURRENT LAW

All AFDC families are automatically eligible for medicaid, and most have incomes within limits of the food stamp program. The following tables and charts describe the interaction between these programs and the tax system as earned income in AFDC families increases.

All of the charts show only AFDC benefits and income under prior law and current law after the family has received AFDC benefits four months or more. Table 9, in addition, shows the amount of income during the first four months of eligibility. Medicaid benefits continue under prior law for four additional months after a family loses AFDC eligibility. Under current law, medicaid benefits continue for four months if the family loses eligibility for AFDC because of increased earnings. The amounts shown in Table 9 illustrate the AFDC and food stamp benefits a three-person family (mother and two children) can receive in Philadelphia and Pittsburgh, Pa. The amounts describe a typical interaction between these programs and are not necessarily the maximum benefits the family might receive. This family is assumed to have no child care expenses.

To calculate AFDC benefits under prior law, work expenses ($40 transportation expenses, prorated for less than full-time employment and payroll, State and Federal income taxes) have been assumed. The earned income tax credit is added where applicable (see section 9). To calculate AFDC benefits under current law, the $75 standard work expense deduction is prorated for less than full-time employment. Shelter expense of $200 per month is assumed which yields an $83 per month shelter expense deduction for food stamp benefit purposes.

With no earnings, a three-person family in Pennsylvania is eligible for an AFDC benefit of $318 and $138 in food stamps per month, for disposable income of $456 per month. Total family income is calculated by adding the insurance value of medicaid health benefits. The average medicaid payment for medical services provided this type of family in Pennsylvania is $103 per month.

The earnings disregard and gross income eligibility provisions enacted in the Omnibus Budget Reconciliation Act of 1981 do not affect a family with no earnings: consequently, the amounts under prior and current law in Table 9 are identical. For a family with earnings, AFDC benefits and disposable income are reduced because less earned income is deducted in computing the AFDC payment.

In Pennsylvania under prior law, AFDC (and medicaid) eligibility ends when a family's earnings reach $667 per month. Under current law, during the first four months when the earnings disregards are applied, eligibility ends when earnings reach $435. After four months, AFDC (and medicaid) eligibility ends when earnings exceed $327 per month.

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its AFDC recipients by $1. Because food stamps are reduced by $0.30 for each additional $1 of AFDC income, the State must expend $1.43 to obtain an effective $1 increase in AFDC recipients' total income. For a State with a 50 percent matching rate, the State must expend $0.72 to obtain a $1 increase in recipient income. This would be the typical situation for an AFDC recipient with no earnings.

TABLE 9.—PENNSYLVANIA COMPARISON OF AFDC AND FOOD STAMP BENEFITS AND DISPOSABLE AND TOTAL INCOME UNDER PRIOR AND CURRENT LAW, BY AMOUNT OF EARNED INCOME, SINGLE PARENT, TWO CHILDREN, DECEMBER 1981

[In dollars]

Earnings	AFDC benefits			Food stamps			Disposable income [1]			Total income [2]		
	Prior law	Current law		Prior law	Current law		Prior law	Current law		Prior law	Current law	
		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months
0	318	318	318	138	138	138	456	456	456	559	559	559
$100	280	275	224	115	117	140	490	486	458	593	589	561
$200	223	212	130	102	104	142	513	505	460	616	609	563
$300	165	150	35	88	92	144	536	524	462	639	628	565
$400	108	87	0	74	80	119	559	543	496	662	647	496
$500	59	0	0	61	81	81	575	537	537	678	537	537
$600	24	0	0	50	54	54	588	571	571	691	571	571
$700	0	0	0	37	0	0	613	590	590	613	590	590
$800	0	0	0	0	0	0	639	662	662	639	662	662
$900	0	0	0	0	0	0	708	724	724	708	724	724
$1,000	0	0	0	0	0	0	781	792	792	781	792	792

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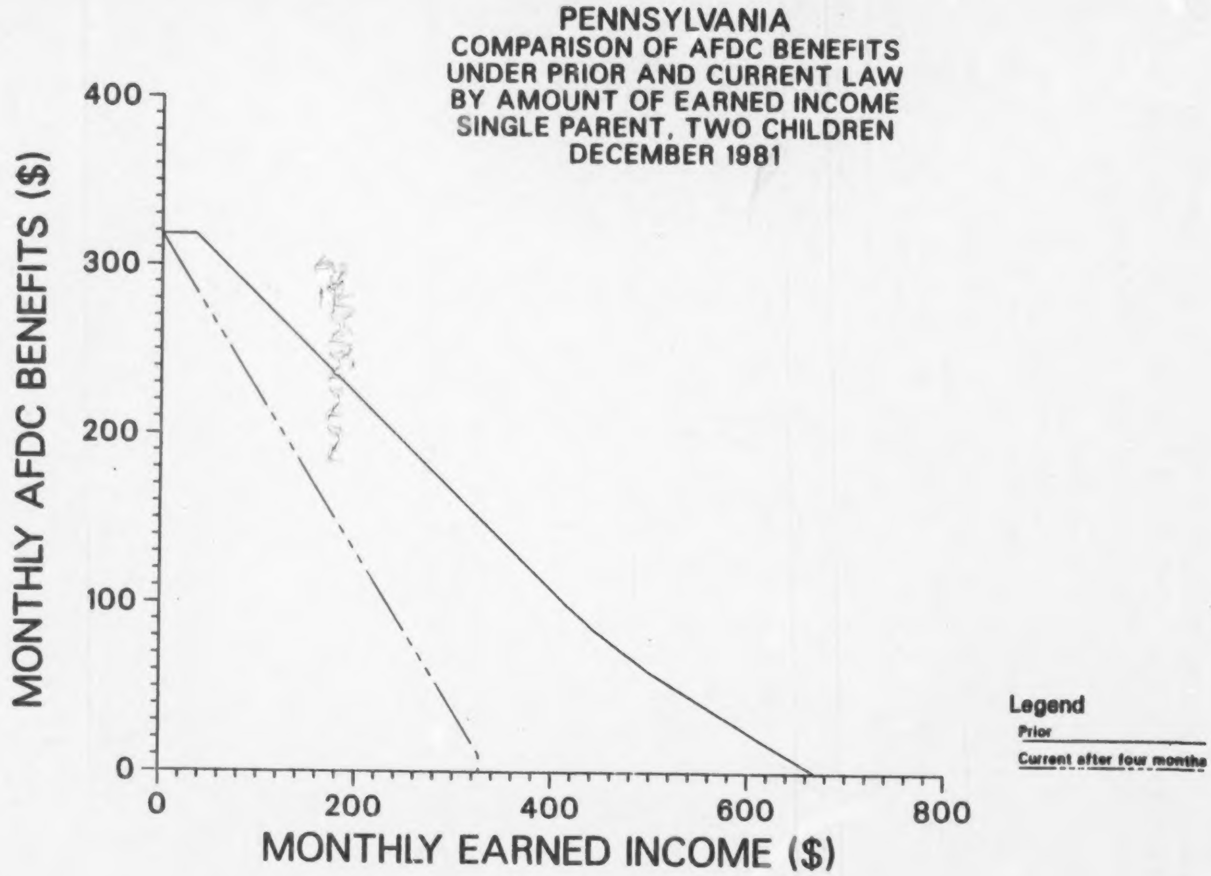
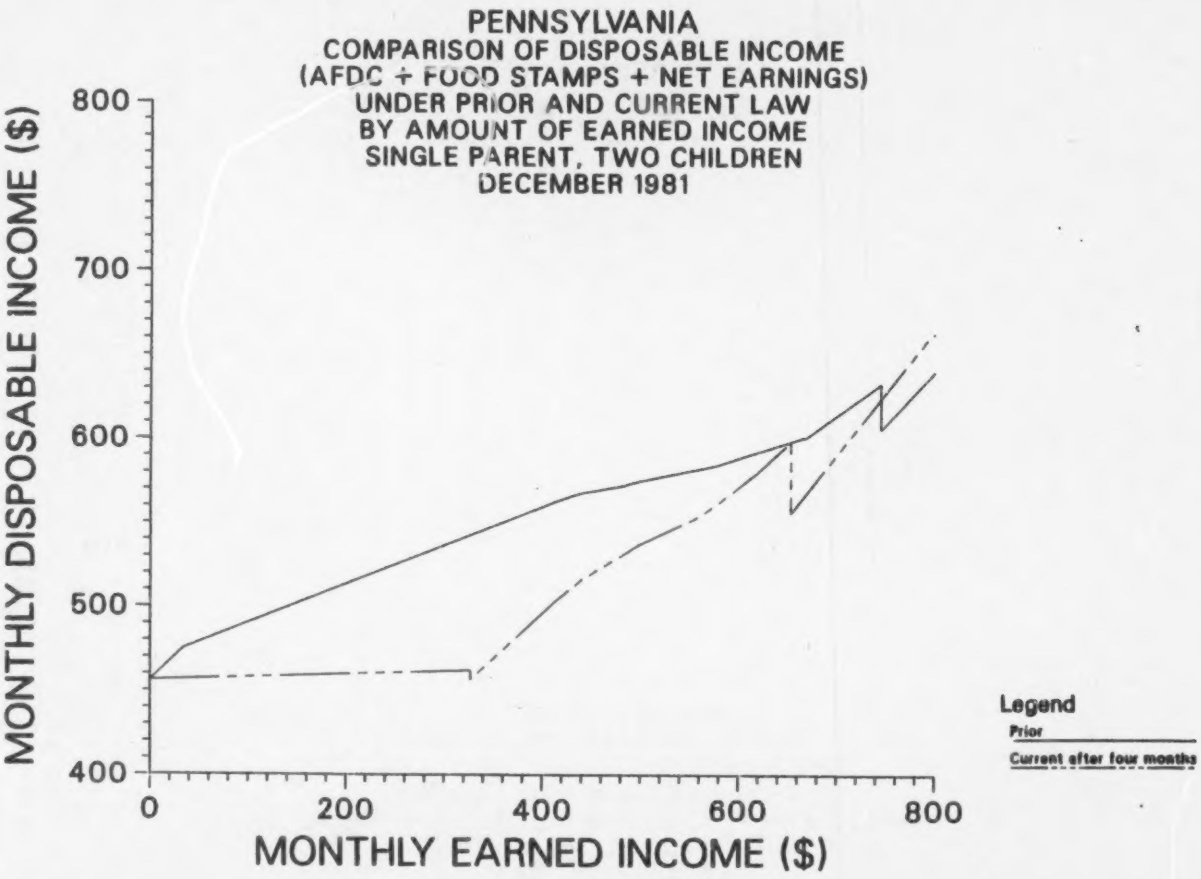
[1] Disposable income is AFDC benefits plus food stamps plus the earned income tax credit plus gross earnings, less work expenses (transportation expenses and payroll, State and Federal income taxes).

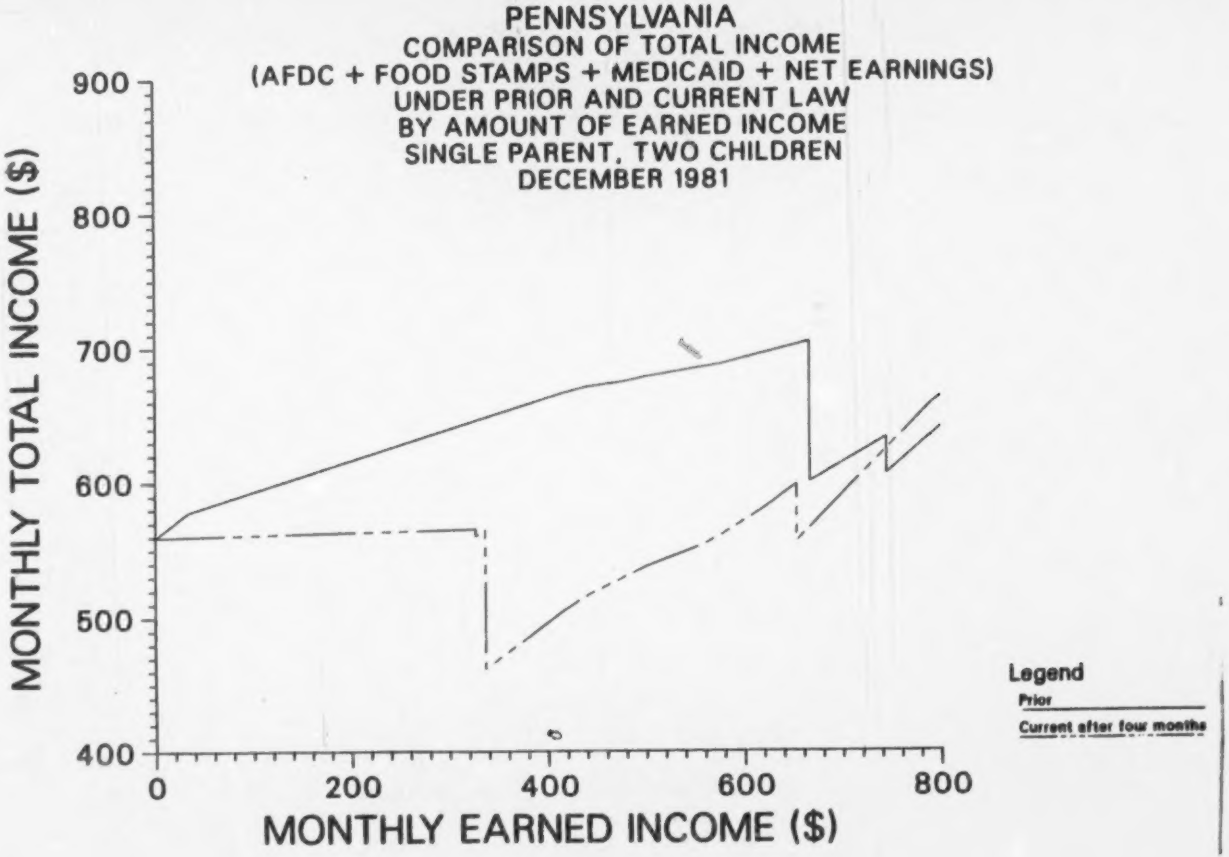
[2] Total income is disposable income plus an average medicaid expenditure for this type of family.



PENNSYLVANIA
COMPARISON OF AFDC BENEFITS
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981



PENNSYLVANIA
COMPARISON OF DISPOSABLE INCOME
(AFDC + FOOD STAMPS + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981



PENNSYLVANIA
COMPARISON OF TOTAL INCOME
(AFDC + FOOD STAMPS + MEDICAID + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
DECEMBER 1981

Table 10 and the accompanying charts describe the interaction of AFDC, food stamps, and the tax system for a five-person family (a mother and four children) in Texas. With no earnings, the family is eligible for an AFDC benefit of $164 and $277 in food stamps per month. The insurance value of medicaid for this type of family in Texas is $96 per month.

The amounts shown in Table 10 are calculated in a similar manner to that of Pennsylvania. Under prior law, AFDC (and medicaid) eligibility ends when earnings exceed $307 per month. Under current law, during the first four months a family has earnings eligiblity for AFDC ends when earnings exceed $271 per month. After four months on a job, AFDC (and medicaid) eligibility end when earnings exceed $160 per month. Total family income increases under current law when earnings exceed approximately $260 per month.

TABLE 10.—TEXAS COMPARISON OF AFDC AND FOOD STAMP BENEFITS AND DISPOSABLE AND TOTAL INCOME UNDER PRIOR AND CURRENT LAW, BY AMOUNT OF EARNED INCOME, SINGLE PARENT, 4 CHILDREN, DECEMBER 1981

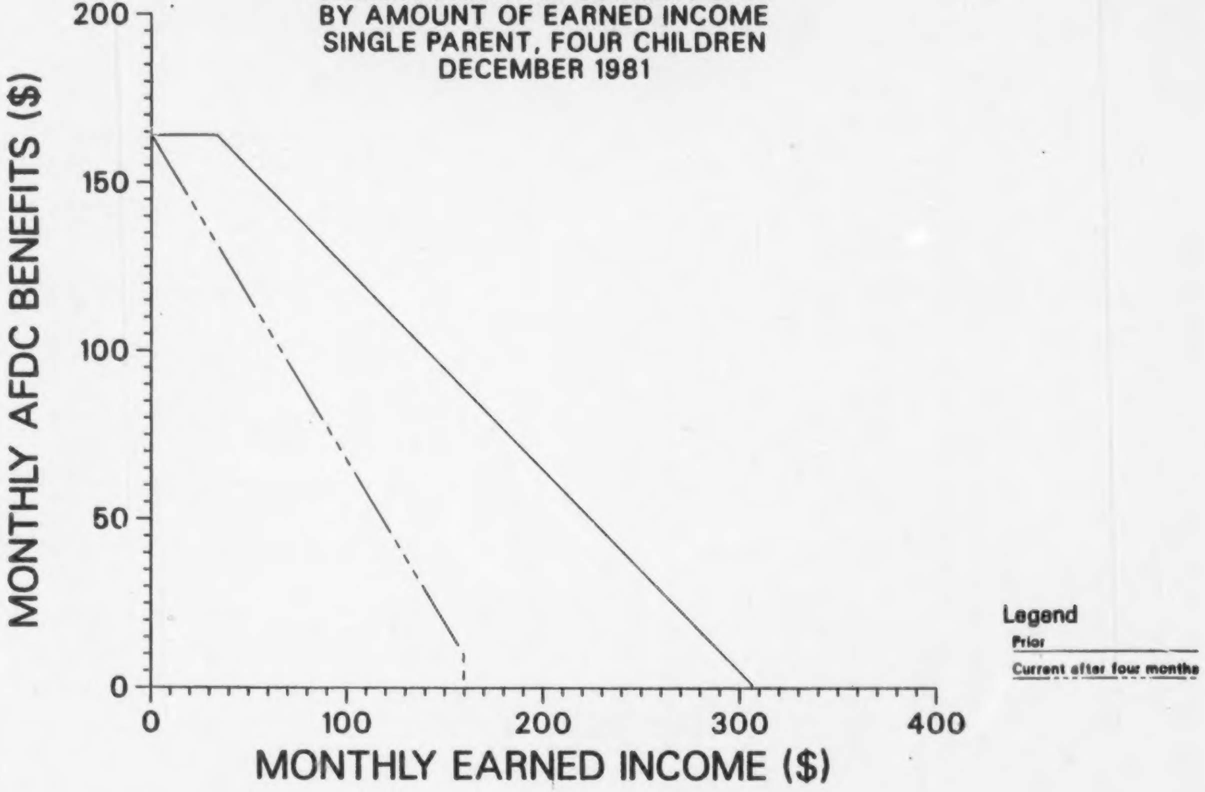
[In dollars]

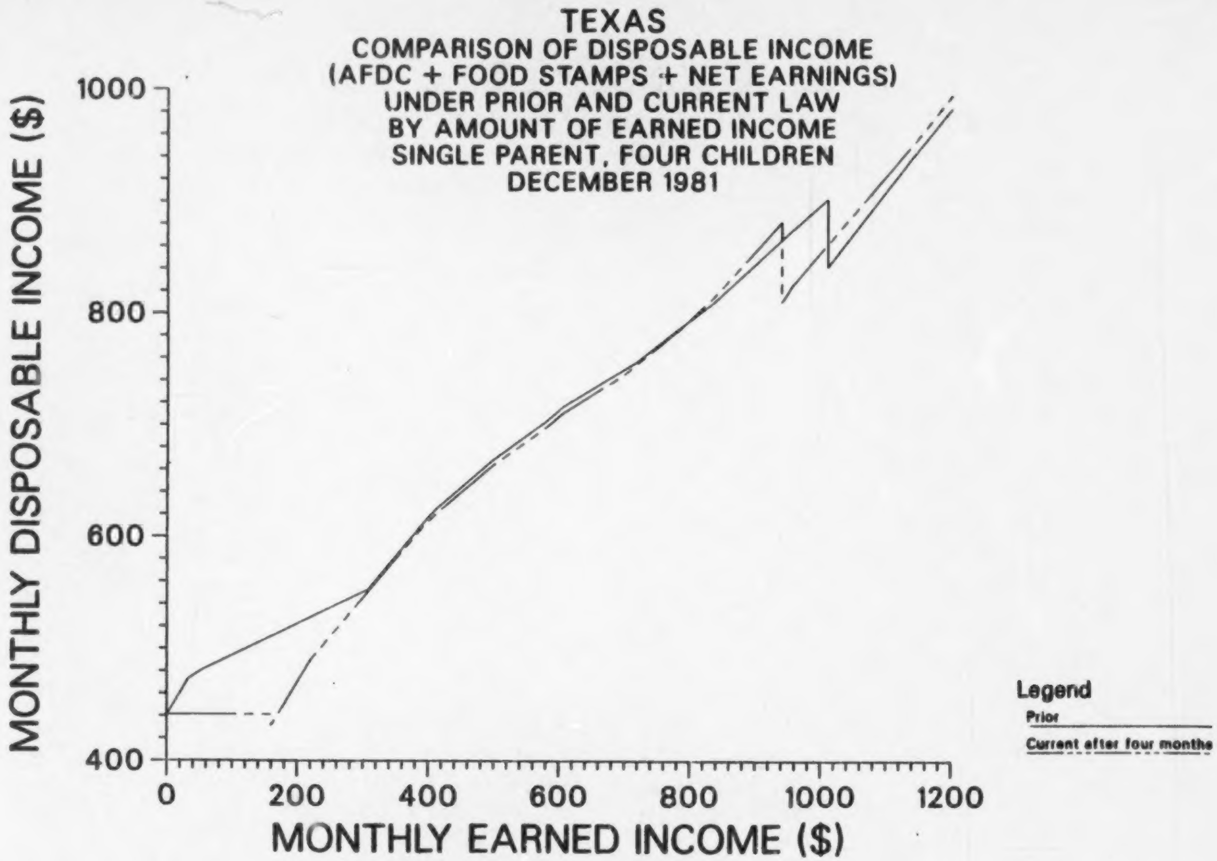
Earnings	AFDC benefits			Food stamps			Disposable income[1]			Total income[2]		
	Prior law	Current law		Prior law	Current law		Prior law	Current law		Prior law	Current law	
		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months
0	164	164	164	277	277	277	441	441	441	537	537	537
$100	124	120	68	273	274	277	494	490	441	590	586	537
$200	65	55	0	265	266	277	522	515	470	618	610	470
$300	5	0	0	256	256	256	550	545	545	646	545	545
$400	0	0	0	231	228	228	617	614	614	617	614	614
$500	0	0	0	195	190	190	669	664	664	669	664	664
$600	0	0	0	164	158	158	713	707	707	713	707	707
$700	0	0	0	132	126	126	750	745	745	750	745	745
$800	0	0	0	110	105	105	793	794	794	793	794	794
$900	0	0	0	87	81	81	843	855	855	843	855	855
$1,000	0	0	0	63	0	0	896	854	854	896	854	854

[1] Disposable income is AFDC benefits plus food stamps plus the earned income tax credit plus gross earnings, less work expenses (transportation expenses and payroll, State and Federal income taxes).

[2] Total income is disposable income plus an average medicaid expenditure for this type of family.

TEXAS
COMPARISON OF AFDC BENEFITS
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, FOUR CHILDREN
DECEMBER 1981





TEXAS
COMPARISON OF DISPOSABLE INCOME
(AFDC + FOOD STAMPS + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, FOUR CHILDREN
DECEMBER 1981

NEW YORK

COMPARISON OF AFDC BENEFITS
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
WITH DAYCARE EXPENSE
DECEMBER 1981

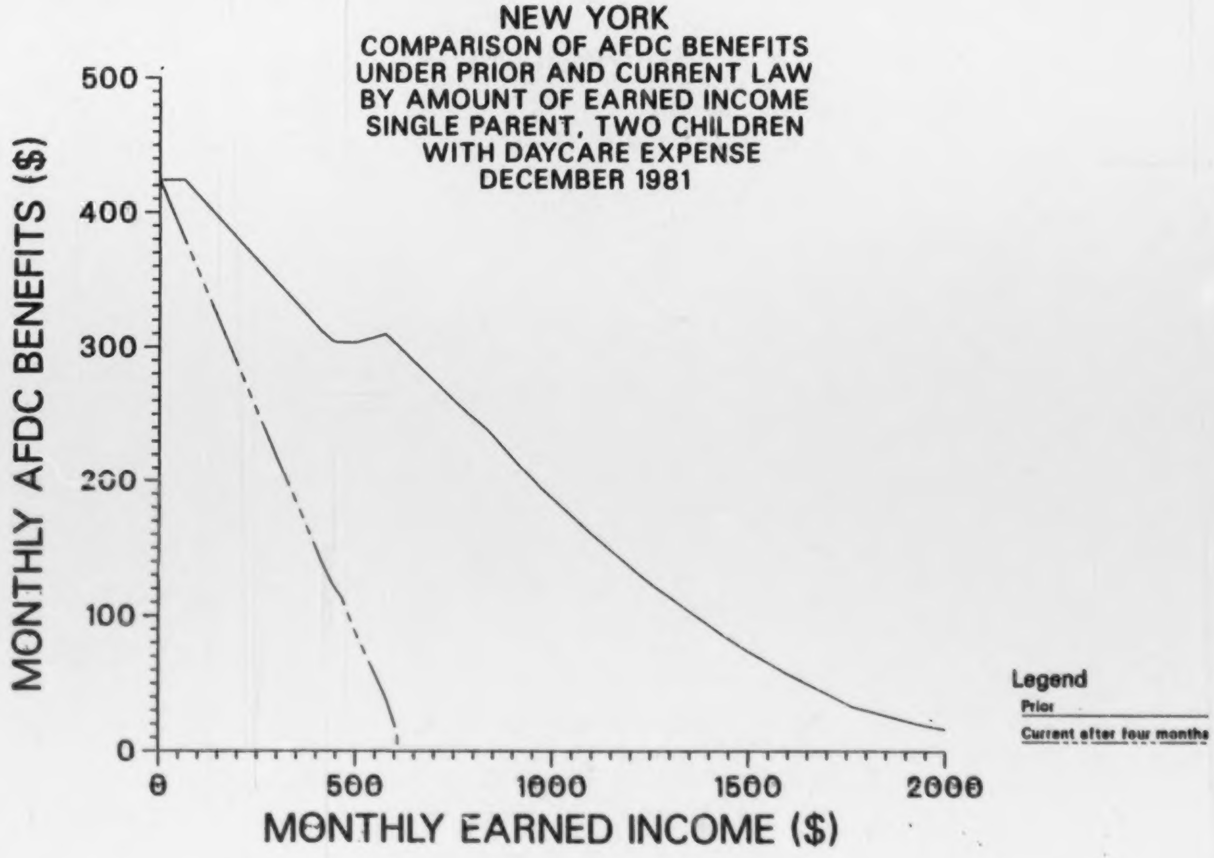


Table 11 and the accompanying charts describe the interaction among AFDC, food stamps, medicaid and the tax system for a three-person family (parent and two children) in New York. Again, the amounts shown were calculated in a similar manner to that of the previous two States with the following exceptions. The shelter expense was assumed to be $230 per month which is the amount of shelter expense required to receive the maximum AFDC payment in New York City. This is the typical situation. Unlike the previous two States an AFDC family in New York is given a standard amount for food and other expenses and is paid actual shelter expenses up to a maximum which varies by family size and location within the State. For a family with earnings, the transportation expense in New York is assumed to be $50 per month. In addition, day care expenses of $150 per month, which are prorated for less than full-time employment, are assumed.

Under both prior and current law, the interaction between food stamps and AFDC is slightly different in this State compared to the previous two States. AFDC income is treated as unearned income for food stamp purposes and thus each dollar of AFDC income reduces food stamps by $.30. However, in New York, $30 of AFDC income for a parent and two-child family is disregarded before calculating the food stamp amount. This is because State-legislated increases in AFDC benefits due to increases in energy costs may be disregarded in calculating food stamp benefits.

With no earnings, a three-person family in New York is eligible under current law for an AFDC benefit of $424, $113 in food stamps and $200 as the insurance value of medicaid. Under prior law, eligibility for AFDC (and medicaid) end when earnings exceed $2,000 per month. Food stamp eligibility ends when earnings exceed $517 per month. Under current law, after receiving AFDC for four months with earnings, AFDC (and medicaid) eligibility end when earnings reach $608 per month. Food stamp eligibility ends when earnings reach $654 per month. At this earnings level, the family loses $77 of foods stamps per month.

Under current law, after four months of receiving AFDC total income does not increase until after the family earns at least $1,150 of income.

INTERACTION WITH SSI AND SOCIAL SECURITY

Social security benefits are treated as unearned income and thus AFDC benefits are reduced by $1 for each $1 of OASDI benefits. SSI benefits received by a potential member of an AFDC family are treated differently. This member (both a child or an adult receiving SSI benefits) will not be a part of the AFDC unit. Thus his needs are not taken into account in determining the AFDC benefit level. At the same time, the income and resources of the individual are ignored in determining the AFDC benefit.

TABLE II.—NEW YORK COMPARISON OF AFDC AND FOOD STAMP BENEFITS AND DISPOSABLE AND TOTAL INCOME UNDER PRIOR AND CURRENT LAW, BY AMOUNT OF EARNED INCOME, SINGLE PARENT, TWO CHILDREN WITH DAY CARE EXPENSE, DECEMBER 1981

[In dollars]

Earnings	AFDC benefits			Food stamps			Disposable income [1]			Total income [2]		
	Prior law	Current law		Prior law	Current law		Prior law	Current law		Prior law	Current law	
		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months		First 4 months	After 4 months
$0	424	424	424	113	113	113	537	537	537	737	737	737
$100	412	398	355	90	96	115	571	563	539	771	762	739
$200	380	353	287	77	87	112	594	577	536	794	777	735
$300	348	307	218	63	79	105	617	591	529	817	791	729
$400	316	261	149	50	65	99	641	601	523	840	801	723
$500	303	220	88	31	0	92	664	549	510	863	749	709
$600	303	175	20	0	0	88	676	548	481	875	747	681
$700	275	0	0	0	0	0	713	446	446	912	446	446
$800	247	0	0	0	0	0	742	519	519	942	519	519
$900	217	0	0	0	0	0	774	588	588	974	588	588
$1,000	187	0	0	0	0	0	807	646	646	1,007	646	646

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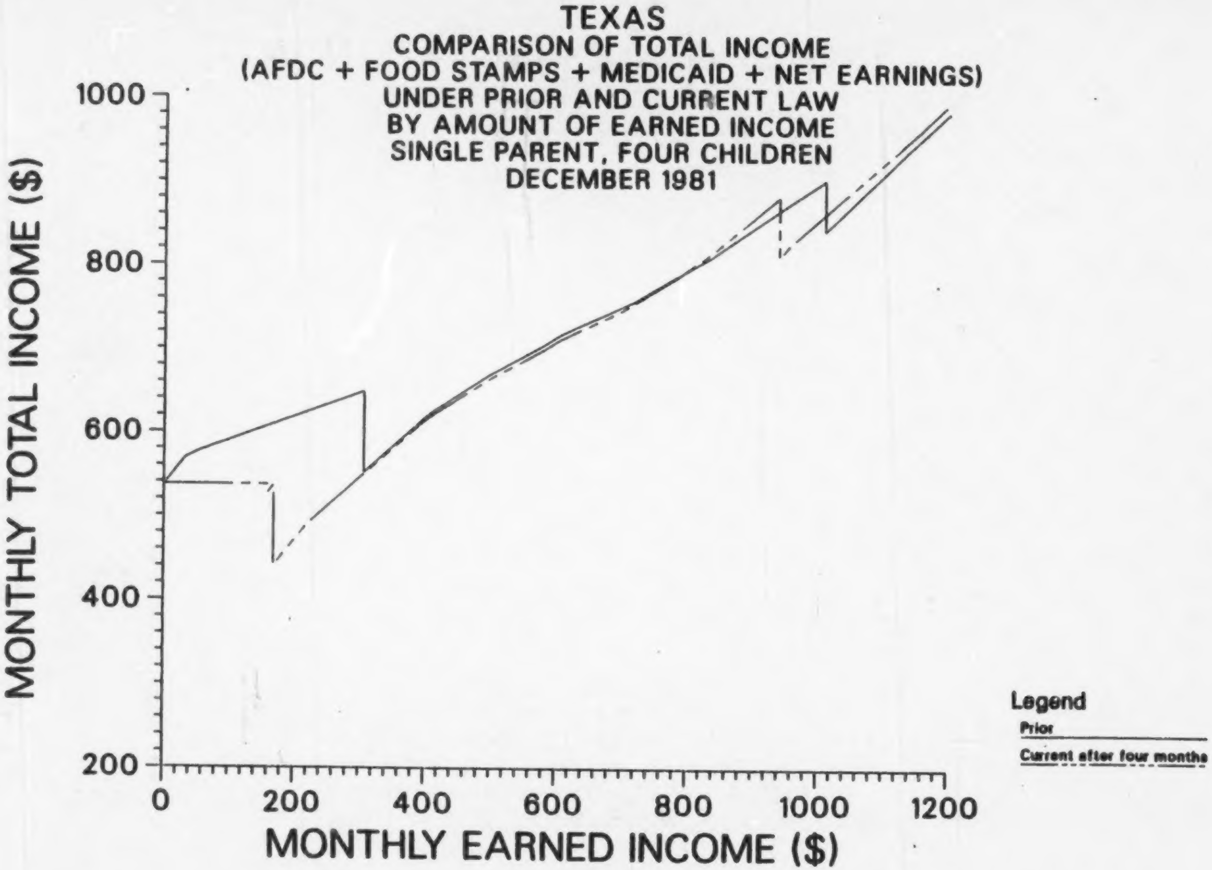
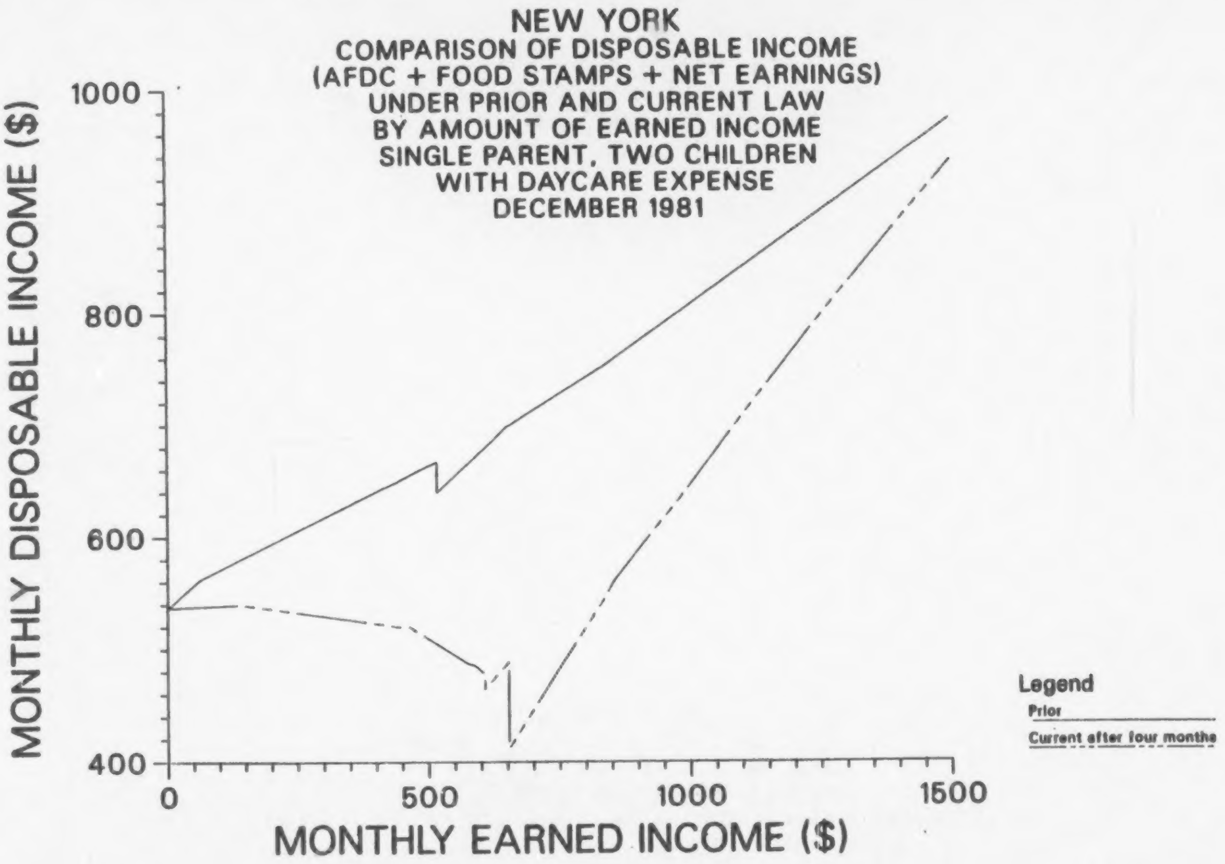
[1] Disposable income is AFDC benefits plus food stamps plus the earned income tax credit plus gross earnings, less work expenses (transportation expenses and payroll, State and Federal income taxes).

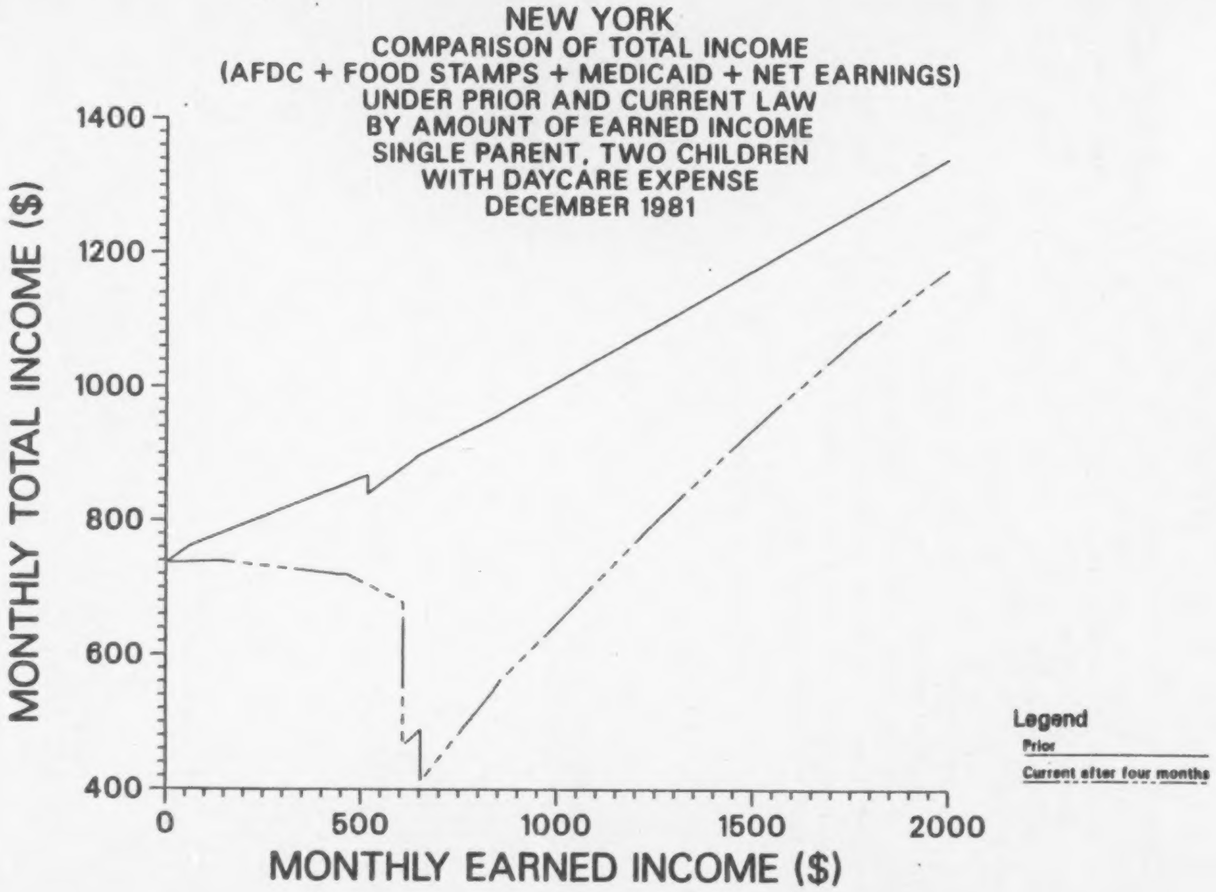
[2] Total income is disposable income plus an average medicaid expenditure for this type of family.



TEXAS
COMPARISON OF TOTAL INCOME
(AFDC + FOOD STAMPS + MEDICAID + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, FOUR CHILDREN
DECEMBER 1981



NEW YORK
COMPARISON OF DISPOSABLE INCOME
(AFDC + FOOD STAMPS + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
WITH DAYCARE EXPENSE
DECEMBER 1981



NEW YORK
COMPARISON OF TOTAL INCOME
(AFDC + FOOD STAMPS + MEDICAID + NET EARNINGS)
UNDER PRIOR AND CURRENT LAW
BY AMOUNT OF EARNED INCOME
SINGLE PARENT, TWO CHILDREN
WITH DAYCARE EXPENSE
DECEMBER 1981

CHARACTERISTICS

This section describes the characteristics of AFDC families prior to the enactment of the Omnibus Reconciliation Act of 1981 (Public Law 97-35). These provisions primarily affected families with earnings, and children living with their stepfathers. At present, data which describes the characteristics of families after these changes in the law are fully effective is not available.

Table 12 illustrates the trend in selected characteristics of AFDC families over the 10-year period from 1969 to 1979. During this time period, the average family size has decreased from 4 to 3; the percent of families with no other income except AFDC has increased from 56 percent to 80.6 percent; and the percentage of the caseload which is black has declined slightly while the percentage which is white has increased.

TABLE 12.—AFDC CHARACTERISTICS, 1969–79

	May 1969	January 1973	May 1975	March 1977	March 1979
Average family size (persons)	4.0	3.6	3.2	3.1	3.0
Incidence of fathers (percent):					
Absent	[1]77.1	[2]80.5	[2]83.3	[2]84.7	[2]85.9
Not married to the mother	[1]27.9	[2]31.5	[2]31.0	[2]33.8	[2]37.5
Incidence of working mothers (percent):					
With full-time jobs	8.2	9.8	10.4	8.4	8.7
With part-time jobs	6.3	6.3	5.7	5.3	5.4
Actively seeking work, or in school or training	10.0	11.5	12.2	13.8	12.8
Percent of families:					
With earnings	[3]NA	16.3	14.6	12.9	12.8
With no reported income other than AFDC	56.0	66.9	71.1	[4]78.2	[4]80.6
Median number of months on AFDC [5]	23.0	27.4	31.0	26.3	29.3
Race (percent):					
White	[6]49.2	46.9	50.2	52.6	51.8
Black	46.2	45.8	44.3	43.0	43.7
Incidence of households (percent):					
Living in public housing	[7]12.8	13.6	14.6	14.9	NA
Participating in food stamp or donated-food program	52.9	68.4	75.1	74.0	75.2
Including nonrecipient members	33.1	34.9	34.8	NA	NA

[1] Calculated on the basis of total number of families.

[2] Calculated on the basis of total number of children; on the basis of total number of families, the January 1973 percentages would be 83 for absent fathers and 34.7 for unmarried-to-mother fathers.

[3] 13.7 percent of mothers had earnings in 1969 survey month, compared with 14.4 percent in 1973, 13.7 percent in 1975, and 12.3 percent in 1977.

[4] State collected child support directly beginning in 1975, removing one source of non-AFDC income.

[5] Since most recent enrollment.

[6] Excludes Puerto Rico and the Virgin Islands.

[7] As of 1971. Item not available for 1969.

Source: Congressional Research Service based on AFDC recipient characteristic studies, conducted by the Department of Health and Human Services.

The AFDC recipient population is not a homogeneous group of families or individuals, as illustrated in Table 13. The table subdivides the AFDC caseload into six mutually exclusive and exhaustive groups. Column one of the table contains data on the entire caseload. Column two of the table describes the AFDC units with no adult recipients. They represent 14.8 percent of the total caseload and receive 9.5 percent of the total payments. The average payment per case is $162 per month. Within this group, there are important differences in the reasons for AFDC eligibility. Approximately 30 percent of these cases are children living with stepparents. Typically in these cases, the income of the stepparent makes the natural mother of the children ineligible. In 36 percent of these cases both the mother and father are absent and the children are living with someone else—grandparents, other relatives, or friends. (The population covered by this data base did not include foster parents.) In the remainder of these cases, the children live with the mother but the mother does not receive AFDC because she receives SSI or other assistance income. These units, compared with the other AFDC families, are smaller, the age of the children is older, and these units have received AFDC assistance longer than average.

Columns three and four of the table present characteristics of the more typical AFDC units—one adult with children and no other adults in the household. Together these columns represent about 60 percent of the total caseload and receive 66 percent of the total payments. Column four is those units where the adult has earnings. Approximately one percent of these units are male-headed. Those cases with earnings tend to have older children and have been on AFDC a longer period of time compared to cases with no earnings.

Column five of the table presents data on one-adult units with children living with other non-recipient adults. These cases represent 17.6 percent of the total caseload and receive 14.3 percent of the total payments. Again these cases represent many different situations. In many of these cases, young mothers with children live with their parents; in other cases, natural fathers live with their children and other adults, while in still other cases a grandparent or other relatives live with the AFDC unit, or one or more AFDC units live together.

The final two columns (columns six and seven) of the table present characteristics of cases with two adult recipients. Column six represents those cases where one parent is incapacitated, and column seven presents data on the unemployed parents (AFDC-UP) program caseload. In total, they represent about 7.2 percent of the total caseload and receive about 10 percent of the total payments. The cases where one parent is incapacitated tend to be older, as demonstrated by both the age of the mother and the age of the youngest child. This group has also received aid for a longer time. The unemployed parents group receives AFDC assistance an average of 19.6 months, which is significantly less than the other groups of AFDC recipients.

TABLE 13.—MARCH 1979 AFDC CHARACTERISTICS

	Total caseload	No adult recipients	One adult recipient			Two adult recipients	
			No other adults—no earnings	No other adults—earnings present	Other adults present	One parent incapacitated	One parent unemployed
Percent of caseload	100.0	14.8	51.1	9.3	17.6	3.1	4.1
Total payments (millions of dollars)	860	82	511	58	123	31	55
Percent of payment	100.0	9.5	59.4	6.7	14.3	3.6	6.4
Average payment per case	251	162	292	182	203	297	387
Food program participation (percent):							
Food stamps or donated food program	75.2	39.4	89.2	71.9	60.5	89.9	90.0
No participation	23.1	57.5	9.5	26.7	37.5	8.8	9.5
Unknown	1.7	3.1	1.3	1.4	2.0	1.3	0.5
Number of child recipients (percent):							
1	42.3	54.0	38.2	34.5	55.1	21.7	29.6
2	28.1	25.2	29.5	32.0	23.9	24.7	31.3
3	15.6	12.4	16.8	19.4	11.3	17.2	20.4
4	7.9	5.4	8.9	8.2	5.2	14.8	11.0
5	3.5	1.9	3.8	3.8	2.5	11.7	3.8
6 or more	2.5	1.1	2.6	2.2	1.9	9.9	3.9
Number of adult nonrecipients (percent):							
0	67.2	0.3	100.0	100.0	0.0	90.1	97.3
1	16.1	34.8	0.0	0.0	60.4	6.3	2.0
2 or more	16.7	64.9	0.0	0.0	39.6	3.6	0.7
Number of child nonrecipients (percent):							
0	80.9	59.8	93.5	93.8	50.9	87.6	95.4
1	9.4	19.3	4.9	4.2	18.5	8.2	3.3
2 or more	9.6	20.9	1.5	2.0	30.6	4.2	1.3
Age of mother:							
18 or under	3.8	0.0	3.1	0.6	10.4	2.5	5.7
19–24	25.7	6.7	29.3	15.5	36.6	12.9	34.9
25–29	19.6	12.4	22.1	23.2	16.5	14.8	22.2
30–39	24.9	20.6	26.2	40.2	15.3	34.5	23.6
40–49	10.5	9.0	10.1	13.7	10.2	17.5	9.0
50 or over	3.6	4.2	2.9	3.6	4.6	6.2	2.8
Unknown	3.7	10.0	2.5	0.8	3.2	6.5	1.9
No mother	8.3	37.0	3.7	2.2	3.2	5.1	0.0
Age of youngest child:							
Unborn	0.5	0.1	0.4	0.1	1.1	0.9	1.1

TABLE 13.—MARCH 1979 AFDC CHARACTERISTICS—Continued

			One adult recipient			Two adult recipients	
	Total caseload	No adult recipients	No other adults—no earnings	No other adults—earnings present	Other adults present	One parent incapacitated	One parent unemployed
0–3	42.2	22.6	46.1	25.3	51.9	39.8	63.7
3–6	19.2	17.0	20.8	21.2	17.2	17.3	12.5
7–18	36.8	58.5	31.8	52.4	27.9	41.0	20.7
19–20	0.5	1.3	0.2	0.6	0.6	0.4	0.2
Unknown	0.8	0.4	0.7	0.3	1.3	0.6	1.8
Father's relationship to youngest child:							
No father	84.7	66.2	99.0	99.0	84.0	11.3	0.0
Natural father	9.6	4.2	1.0	1.0	11.1	79.0	97.8
Adoptive father	0.0	0.2	0.0	0.0	0.0	0.0	0.3
Stepfather	5.6	29.4	0.0	0.0	4.8	9.7	1.9
Mean length of time on AFDC	44.7	50.9	45.9	54.0	37.8	40.5	19.6

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

Table 14 contains several other characteristics for the entire caseload. In 18 percent of the cases, the mother is not present or is not receiving a payment; in 20.6 percent the mother is a mandatory registrant for WIN and in another 4.1 percent is a voluntary registrant for WIN. In 4.1 percent of the cases, the mother is ill or incapacitated while in 43.1 percent of the cases the mother is not required to register because the mother is caring for a child under the age of six.

The next set of data describe the employment status of the mother. In 8.0 percent of the cases, the mother is working full time; and in another 5.0 percent of the cases, she is working part time. Slightly over 9 percent of the mothers are seeking work.

The last set of data describe the length of time families have been receiving AFDC. Approximately 29 percent of the caseload have been receiving benefits for less than one year while 27 percent have been receiving benefits for over five years.

TABLE 14.—MARCH 1979 AFDC CHARACTERISTICS

	Total caseload
Mother's WIN status:	
No mother or mother not receiving payment	18.0
Mandatory registrant	20.6
Voluntary registrant	4.1
Ill or incapacitated	4.1
Child or other care	43.1
No WIN project	7.2
Other	2.9
Mother's employment status:	
No mother	8.3
Full time work, 35 or more hours per week	8.0
Part time work, fewer than 35 hours per week	5.0
Incapacitated	6.0
At school	2.6
On layoff	0.5
Seeking work	9.1
Other—needed at home or not actively seeking work	60.5
Number of months on AFDC since most recent opening (percent):	
1 to 6 months	16.4
7 to 12 months	12.5
13 to 24 months	16.7
25 to 36 months	11.4
37 to 60 months	15.3
61 plus months	26.9
Unknown	0.8

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

Tables 15 and 16 describe the income sources of the entire caseload. These tables show that the total amount of income received in March 1979 was $198.2 million. It should again be noted that these numbers will be altered as a result of the budget reductions taking effect in fiscal year 1982. Approximately 19.4 percent of the caseload has income, and the average amount income for these families is $299 per month.

Of the AFDC families with income, 15.7 percent earn less than $100 per month; 16.6 percent earn between $101 and $200 per month; 16.0 percent earn between $201 and $300 per month; 17.5 percent earn between $301 and $400 per month and 14.7 percent earn between $401 and $500 per month. Approximately 19.6 percent earn over $500 per month. About 2.4 percent earn over $750 per month, and only 0.5 percent earn over $1,000 per month.

Earned income ot the adult recipient totaled $157.5 million or well over 75 percent of the total income of AFDC households. About 12 percent of the mothers have earnings, and the average amount for this group is $382 per month. Table 13 contains similar information for the income disregards, showing that approximately $118 million of income is disregarded. By far the largest source of the income disregard is the $30 and one-third rule—$62.8 million.

Approximately 13.8 percent of the caseload had an earned income disregard, and the average amount disregarded is $250. The total amount of earned income disregarded as a ratio of total earned income is 68.3 percent.

TABLE 15.—DESCRIPTION OF INCOME SOURCES, MARCH 1979

Income source	Total amount (millions)	Percentage of caseload with income type	Average amount for those with income type
Earned income:			
Mother	157.5	12.0	382
Father	6.5	0.6	323
Children (14+)	0.5	0.1	206
Other adults	1.0	0.1	265
Public service	0.5	0.1	246
OASDI	14.1	3.1	134
Veterans' benefits	1.9	0.4	128
Other pensions	2.1	0.4	143
Unemployment compensation	5.6	0.7	238
Workmen's compensation	0.4	0.1	237
Stepparent contributions	0.5	0.2	63
Contributions from other persons	1.4	0.6	72
Other cash income	5.3	1.9	81
In-kind income	0.9	0.4	71
Total	198.2	19.4	299

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

TABLE 16.—DESCRIPTION OF INCOME DISREGARDS, MARCH 1979

Disregards	Total amount (millions)	Percent of caseload with disregard	Average amount for those with disregard
Optional $5 disregard	0.2	1.1	6
$30 and one-third of earned income	62.8	12.5	146
Child care	13.4	3.9	101
Other work expenses (e.g. taxes, meals, transportation)	27.4	8.4	95
Cases with child care and other work expenses[1]	10.2	3.0	100
Child support	0.4	0.1	93
Other	4.3	1.6	77
Total	118.4	13.8	250

[1] In these cases, there was insufficient information in the data file to distinguish between child care and other work expenses.

Note.—Total Earned Income Disregards/Total Earned Income=.683.

Source: Committee staff tabulation of March 1979 AFDC recipients' data base.

WORK INCENTIVE (WIN) PROGRAM (TITLE IV–C)

The work incentive (WIN) program was established in 1967 with the purpose of providing job training and placement to assist individuals receiving AFDC to become self-supporting (see tables 17 through 20). Federal law requires that most persons 16 years of age or older who are receiving or applying for AFDC must register for WIN. An individual may be exempt from the WIN registration requirement if he or she is unable to participate due to illness, incapacity, advanced age, full-time student status, remoteness from a WIN project or due to the care of an ill or incapacitated member of the household. Also exempt are mothers or other females caring for a child under 6 years of age when the father or other male relative in the house is registered with WIN. A 1980 amendment exempted, in addition, persons who are working at least 30 hours a week.

TABLE 17.—WORK INCENTIVE PROGRAM DATA, SELECTED FISCAL YEARS 1973–81

[Persons in thousands; dollars in millions]

Category	1973	1975	1977	1979	1981
New registrants	1,235	839	1,061	920	1,156
Registrants on board (end of year)	996	1,335	1,542	1,502	1,567
Appraisals	511	555	691	626	808
Certifications	371	328	484	478	377
Participants served [1]	[2] NA	NA	234	257	276
Entered Employment: [3]					
Full time	137	171	246	250	250
Part time			32	48	69
Total [4]	137	171	278	299	310
Welfare cost savings [5]	NA	NA	$436	$599	$760
Appropriations	$290	$210	$370	$385	$365

[1] Individuals registered in WIN component during the year.

[2] Comparable data not available.

[3] Numbers do not total; some individuals have both part-time and full-time jobs.

[4] Totals may not equal the sum of the components, due to rounding.

[5] Department of Labor estimates.

Source: Data provided by U.S. Department of Labor; table compiled by Congressional Research Service.

TABLE 18.—WIN REGISTRANTS AND JOB ENTRANTS BY SELECTED CHARACTERISTICS, FISCAL YEARS 1977–79

[In percent]

Characteristic	1977		1978		1979	
	Registrants	Job entrants	Registrants	Job entrants	Registrants	Job entrants
Total	100.0	100.0	100.0	100.0	100.0	100.0
Sex:						
Male (total) [1]	27.4	37.8	26.1	33.8	24.8	30.3
(Unemployed fathers)	[2] NA	NA	(8.5)	(15.8)	(12.5)	(16.7)
Female	72.6	62.2	73.9	66.2	75.2	69.7
Ethnic Group:						
White	55.4	67.6	55.7	66.1	44.9	55.4
Black	39.0	28.9	38.9	30.4	39.4	31.5
Other	5.6	3.5	5.4	3.5	15.7	13.1
Years of school completed:						
0 to 7 years	10.5	6.2	10.1	6.1	9.9	5.8
8 to 11 years	48.7	44.8	48.0	45.0	47.7	44.3
12 years	33.1	39.1	33.6	38.8	33.7	39.1
Over 12 years	7.7	9.9	8.3	10.1	8.7	10.8
Age:						
Under 22 years	15.7	15.2	14.4	14.4	13.8	13.4
22 to 39 years	62.0	69.4	63.2	70.2	63.6	71.2
40 years and over	22.3	15.4	22.4	15.4	22.6	15.4
Registrant status:						
Mandatory	79.0	82.6	82.7	82.4	83.5	82.1
Voluntary	21.0	17.4	17.3	17.6	16.5	17.9

[1] Includes male heads of single-parent households, unemployed fathers, and other males, most of them youth (under 22 years of age) who are recipient members of AFDC families.

[2] Not applicable.

Source: U.S. Departments of Labor and Health, Education, and Welfare. WIN: 1968–78, A Report at 10 Years. The Work Incentive Program. Ninth Annual Report to Congress. June 1979, Washington, 1979. p. 20; and based on conversations with DOL staff.

As a condition for AFDC eligibility, every individual must register for manpower services, training, employment and other employment related activities (including employment search). Registrants selected for participation in WIN must accept available jobs, training or needed services to prepare them for employment. Refusal to do so without good cause will cause an end to their AFDC payments. In the case of a single parent who refuses to work, payment to the nonworking adult is denied, but protective payments continue for the children. In the case of two-parent families, the entire family is made ineligible.

Effective for tax years beginning after December 31, 1981, WIN registrants and AFDC recipients were added to the list of target groups for whom employers can receive a targeted jobs credit. The credit is equal to 50 percent of up to $6,000 in wages for the first year of employment and 25 percent of such wages for the second year.

Prior law offered a special WIN tax credit, equal in size to the targeted jobs credit, to encourage employers to hire AFDC recipients and/or WIN registrants.

TABLE 19.—WIN COSTS, BY COMPONENT, FISCAL YEARS 1980 AND 1981

[Dollars in thousands]

	Fiscal year 1980	Fiscal year 1981 estimate
Total grants to States	$359,886	$350,960
(Intake services)	(148,975)	(138,902)
(Work and training)	(97,420)	(97,658)
(Child care/supportive services) [1]	(113,491)	(114,400)
Program direction and evaluation	11,945	14,040
Total WIN costs	371,831	365,000

[1] HHS incurs the costs for child care/supportive services, and the remaining costs are incurred by DOL.

Source: U.S. Department of Labor.

TABLE 20.—WIN PARTICIPANTS PLACED IN EMPLOYMENT AND RETAINED 30 DAYS OR MORE, FISCAL YEARS 1977–79

	1977	1978	1979
Expected to last 30 days or more	272,006	286,404	291,836
Retention rate	76.8	89.1	80.4
Number employed, off welfare	136,500	150,242	153,843
Percent of total who entered employment	50.2	52.5	52.7

Source: U.S. Department of Labor.

CHILD SUPPORT ENFORCEMENT PROGRAM (TITLE IV–D)

Title IV–D of the Social Security Act was enacted in 1975 to establish a program of child support enforcement. The program provides services to both AFDC and non-AFDC families to locate absent parents, establish paternity, and to assist in the establishment and collection of both court-ordered and voluntary child support payments. The program was enacted in an effort to require absent parents to support their children and thereby reduce AFDC expenditures (see table 21).

Applicants for, and beneficiaries of, AFDC are required to make an assignment of support rights to the State in order to receive AFDC. In addition, each applicant or recipient must cooperate with the State if necessary to establish paternity and secure child support.

The support payments made on behalf of AFDC children are paid to the State for distribution rather than directly to the family. If the child support collection is insufficient to make the family ineligible for public assistance, the family receives its full welfare grant and the child support is distributed to reimburse the State and Federal Governments in proportion to their assistance to the family. If the recipient's income, including the child support, exceeds the State's needs standard, the recipient's benefits are terminated.

Non-AFDC families participate in the program on a voluntary basis. Public Law 97-35 requires States to retain a fee equal to 10 percent of the support collected for non-welfare families and to charge this fee against the absent parent. Services to non-AFDC families were made a permanent part of the program in 1980.

TABLE 21.—CHILD SUPPORT ENFORCEMENT—FEDERAL SHARE OF COLLECTIONS AND ADMINISTRATION

[In thousands]

State	Federal share of collections, 1980 actual	Federal share of administration, 1980 actual
Alabama	$2,799	$3,901
Alaska	263	2,469
Arizona	259	2,212
Arkansas	1,542	2,396
California	31,238	73,411
Colorado	2,058	4,017
Connecticut	6,655	4,923
Delaware	780	890
District of Columbia	518	2,288
Florida	5,468	7,687
Georgia	3,615	3,144
Hawaii	1,398	1,324
Idaho	1,627	903
Illinois	5,884	7,850
Indiana	3,206	3,916
Iowa	5,860	4,044
Kansas	1,777	2,364
Kentucky	2,159	3,838
Louisiana	3,039	6,907
Maine	2,885	1,268
Maryland	4,342	7,736
Massachusetts	19,315	7,981
Michigan	27,049	18,433
Minnesota	5,632	8,557
Mississippi	222	1,365

TABLE 21.—CHILD SUPPORT ENFORCEMENT—FEDERAL SHARE OF COLLECTIONS AND ADMINISTRATION—Continued

[In thousands]

State	Federal share of collections, 1980 actual	Federal share of administration, 1980 actual
Missouri	2,908	5,113
Montana	512	937
Nebraska	1,026	1,201
Nevada	269	1,883
New Hampshire	1,246	820
New Jersey	10,445	16,442
New Mexico	846	1,360
New York	18,480	44,467
North Carolina	4,889	5,074
North Dakota	575	579
Ohio	11,742	12,081
Oklahoma	1,244	3,058
Oregon	7,813	7,542
Pennsylvania	15,751	23,403
Rhode Island	1,972	1,065
South Carolina	1,575	1,693
South Dakota	697	793
Tennessee	2,458	2,851
Texas	$4,449	$10,771
Utah	3,633	2,999
Vermont	890	641
Virginia	6,078	9,555
Washington	9,424	7,881
West Virginia	1,240	1,448
Wisconsin	11,223	8,035
Wyoming	210	148
Guam	39	99
Puerto Rico	162	732
Virgin Islands	102	418
Subtotal	261,488	356,914
Adjustments	+16,501	+27,585
Total	277,989	384,499

The Federal administration of title IV-D is coordinated through the Office of Child Support Enforcement (OCSE) of the Department of Health and Human Services. OCSE reviews and approves State IV-D plans, establishes standards for effective State child support programs, provides technical assistance to the States, assists them with reporting procedures, maintains records of program operations and child support expenditures and collections, and audits State programs. OCSE can also initiate court actions in Federal district courts for the enforcement of child support orders in interstate cases.

The Federal Parent Locator Service within OCSE obtains and transmits to State and local child support agencies information contained in the files of the Federal Government to assist in locating absent parents.

Each State must designate a single and separate organizational unit to administer the IV-D program within the State. In 48 States, the child support agency is located within the State welfare department. Child support enforcement programs may be operated directly by the IV-D agency or through cooperative arrangements with law enforcement officials such as district attorneys, friends of the court, and attorneys general.

The act provides for 75 percent Federal financial participation in the administrative costs incurred by the State in providing child support services. This includes costs incurred by law enforcement officials pursuant to cooperative agreements with the IV-D agency and costs of supportive or administrative personnel of courts in the performance of IV-D functions. On July 1, 1981, Federal matching was made available to cover 90 percent of the cost of developing and implementing child support management information systems.

A 15 percent incentive payment, financed entirely from the Federal share of collections, is paid to States that enforce and collect child support for AFDC families within the State and on behalf of other States and to political subdivisions that enforce and collect child support intrastate.

If a State is unsuccessful in obtaining child support, it may apply to the Office of Child Support Enforcement for a certification of the delinquent amount to the Internal Revenue Service for collection on behalf of both AFDC and non-AFDC families. Public Law 97-35 requires the Secretary of the Treasury to withhold from any tax refunds due to an individual the amount of past-due support. "Past-due" support is defined as the amount of a delinquency determined under court order or an order of an administrative process established by State law for support and maintenance of a child, or a child and the parent with whom the child lives. Further, the wages or retirement benefits of Federal employees can be garnished to provide child support. The new law also reinstates a provision of the Social Security Act that had been repealed declaring that a child support obligation assigned to a State as a condition of AFDC eligibility is not discharged in bankruptcy.

If a State is found by an annual audit not to have an effective child support enforcement program which meets the requirements of Title IV-D, the State's AFDC reimbursement is to be reduced by 5 percent. The first audit period was January 1 to September 30, 1977.

Section 9. Earned Income Tax Credit

The earned income tax credit (EITC), which was added to the Internal Revenue Code in 1975, is intended to give a cash income supplement to working parents with relatively low earnings. The earned income tax credit is a refundable credit. Thus, for tax filers whose income is too low to owe income taxes, or whose tax liability is smaller than their credit, the Internal Revenue Service makes a direct payment of the credit.

ELIGIBILITY

The credit is available to married couples who are entitled to a dependent exemption for a child or unmarried individuals who maintain a household for a child. Adjusted gross income and earned income must be less than $10,000.

To receive a credit, a person must file an income tax return at the end of the tax year and, if desired, may file an eligibility certificate with his employer in order to receive advance payments of the credit with his paycheck. To be eligible for EITC, married couples must file a joint income tax return.

BENEFITS

The EITC equals 10 percent of the first $5,000 of earnings, including net earnings from self-employment, and thus may not exceed $500 per family. The size of the credit is unrelated to the number of a worker's dependents. Between earnings of $5,000 and $6,000, the maximum credit of $500 is received. For each dollar of adjusted gross income (or, if higher, earned income) above $6,000 the credit is reduced by 12.5 cents. As a result, it ends when adjusted gross income reaches $10,000. Table 1 below shows the amount of the earned tax credit by amount of earned income.

TABLE 1. AMOUNT OF EITC BY EARNED INCOME LEVEL

Amount of wages or self-employment income	Earned income tax credit
0	0
$1,000	$100
$2,000	200
$3,000	300
$4,000	400
$5,000	500
$6,000	500
$7,000	375
$8,000	250
$9,000	125
$10,000	0

INTERACTION WITH AFDC AND FOOD STAMPS

Under current AFDC law, the amount of the EITC is treated as earned income and is imputed to the family even though it may not actually be received from the employer as an advance payment. Based upon some preliminary data compiled by the General Accounting Office in the States of New York, New Jersey and New Hampshire, approximately 1 percent of the total amount of EITC is received on an advance basis.

When the law was first enacted in 1975, the EITC was completely disregarded for the AFDC and food stamp benefit computations and could not be received from the employer on an advance basis. Beginning in January 1979, the EITC was treated as earned income when received, and in July 1979 the EITC could be received on an advance basis. Beginning in October 1981, the EITC must be imputed to the family as earned income on an advance basis regardless of whether it is actually received from the employer.

The interaction between EITC and the AFDC program is extremely complicated. The Internal Revenue Service has ruled that those who use AFDC funds to pay part of the cost of maintaining a home for a child may not count these welfare benefits as their own contributions for purposes of determining whether the child is a dependent. Thus, an AFDC parent is ineligible for the credit if the AFDC grant equals or exceeds half the cost of keeping up the home in the tax year.

To describe this interaction more fully, let us take a simple example where a mother with one child is working at a full-time job at the minimum wage and continues to receive AFDC. At the beginning of the year, she is earning $581 per month but does not receive any EITC on an advance basis from her employer. The employer is withholding $10 per month of Federal income tax. The caseworker uses IRS rules to estimate that the mother will be eligible for the EITC. (Actual eligibility cannot be determined until after the end of the taxable year.) Using IRS tax tables, the caseworker imputes $31 of EITC per month as earned income and adjusts the AFDC and benefit amount appropriately. In July, the mother loses her job and begins to collect the full AFDC benefit amount.

At the end of the year, the mother receives an IRS check for $408. It includes $348 designated as EITC (10 percent of her total earnings for the year), and $60 as a tax refund. The caseworker must reconcile any differences between the amount of the EITC assumed and actually received by the mother. State agency records show that $186 ($31 for 6 months) was assumed as EITC. This amount is subtracted from the actual amount of the credit received, $348, leaving $162 as the amount of the EITC refund not yet counted. This amount must be treated as earned income in the month of receipt, and the earnings disregards must be applied. Assuming in this case that the mother is not employed in that month, the caseworker simply subtracts $75 from $162, leaving $87, which is considered as a lump sum payment to be counted in determining the family's AFDC benefit for that month. Any excess of EITC over the grant would be carried forward and applied to the family's needs in the next month's benefit determination. (If the mother is employed in the month of receipt, she will be eligible for a disregard of child care costs—up to $160 a month per child—and may also receive a disregard of $30 and one-third of additional earnings, but only if she has not already used up her 4 months of eligibility for that disregard.)

Under Federal rules, the State has the option of treating a tax refund as either unearned income in the month of receipt or as a resource. If the refund ($60 in this case) is treated as unearned income, it would reduce the amount of the AFDC benefit on a dollar-for-dollar basis.

Food stamp rules do not have a similar requirement. In determining the food stamp benefit, the EITC would be counted as earned income for the month of receipt, if received either on an advance basis or in a lump sum at the end of the year.

DATA

In fiscal year 1981, earned income tax credits (generally earned in 1980) totaled $1.976 billion, of which about $1.326 billion represented Treasury payments in excess of current year tax liability and $.650 billion offset tax liability. Some 6.9 million families received the credit, which averaged $286 per family. Of total recipients; almost 5 million received direct EITC payments in the form of U.S. Treasury checks. Table 2 below describes the total amount of earned income credits received for each of the calendar years since the inception of the program, the number of recipient families, the amount of the credits received as Treasury checks and the average amount of the credit received per family.

TABLE 2.—TOTAL AMOUNT OF EITC, NUMBER OF FAMILIES RECEIVING THE CREDIT AND THE BUDGET OUTLAYS FOR CALENDAR YEARS 1975 THROUGH 1983

Year to which credit applies	Total amount of EITC (in millions)	Number of families who received EITC (in thousands)	"Refunded" portion of credit [1] (in millions)	Average EITC per family
1975	$1,250	6,215	$900	$201
1976	1,295	6,473	890	200
1977	1,127	5,627	880	200
1978	1,048	5,192	801	202
1979 [2]	2,063	7,190	1,384	287
1980 [2]	1,997	7.001	1,339	285
1981 [2]	1,809	NA	1,254	NA
1982 [3]	1,675	NA	1,180	NA
1983 [3]	1,536	NA	1,100	NA

[1] This is the portion of the credit that exceeds tax liability, and it is treated as a budget outlay. The rest of the credit is classified as a "tax expenditure." All these credits were paid in the following year until 1979, when advance payments of the credit were permitted, by addition to the worker's paycheck.

[2] Preliminary.

[3] Projections.

Section 10. SSI Program Description [1]

The supplemental security income (SSI) program is a federally administered income assistance program under title XVI of the Social Security Act. Established by the 1972 amendments to the act (Public Law 92-603) and begun in 1974, SSI provides monthly cash payments in accordance with uniform, nationwide eligibility requirements to needy aged, blind and disabled persons. The SSI program replaced the former Federal grants to the States for old-age assistance, aid to the blind and aid to the permanently disabled. These grants continue in Guam, Puerto Rico and the Virgin Islands. SSI, however, operates in the Northern Marianas Islands.

BASIC ELIGIBILITY

To qualify for SSI payments, a person must satisfy the program criteria for age, blindness or disability. The aged are defined as persons 65 years and older. The blind are individuals with 20/200 vision or less with the use of a correcting lens in the person's better eye, or those with tunnel vision of 20 degrees or less. Disabled individuals are those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. Additionally, a child under age 18 who has an impairment of comparable severity with that of an adult may be considered disabled.

FEDERAL BENEFIT LEVELS

The amount of monthly Federal SSI benefits is determined by the recipient's countable income, living arrangements and marital status. The current maximum monthly SSI benefit is $264.70 for a single person and $397.00 for married couples. Benefits are indexed to the Consumer Price Index (CPI). Cost-of-living increases are provided annually in July if the CPI for the first quarter of the calendar year increases by at least 3 percent over the first quarter of the previous year. Benefits are increased by the same percentage as social security benefits. For example, the current payment level of $264.70 per individual, which became effective in July 1981, represents an increase of 11.2 percent (or $26.70 monthly) from the previous July 1980 level of $238.00.

From July 1981 through June 1982, a person living in another's household and receiving support and maintenance from him is eligible for only two-thirds of that amount—$176.47. An eligible couple residing in their own home is entitled to monthly payments of $397.00. An individual who is a resident or an inmate of a public institution is ineligible for SSI unless the institution is a facility approved for medicaid payments, is receiving such payments on behalf of the person, and these payments represent more than 50 percent of the cost of services provided by the facility to the person. SSI payments may be made to persons in publicly operated community residences serving no more than 16 persons. Payments to an individual transferred from a former State program may be increased by $132.60 monthly to take into account an "essential person" living in the household. An essential person is generally an ineligible spouse or relative whose needs were considered in determining the requirements of an eligible individual under the former State program but who is not eligible for SSI. The following table shows the Federal SSI benefit levels:

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[1] This section borrows heavily from an about-to-be-published Social Security document entitled "Program and Demographic Characteristics of Supplemental Income Beneficiaries, December 1980."

TABLE 1.—MAXIMUM FEDERAL PAYMENT LEVELS UNDER SSI

[Includes a projected cost-of-living adjustment of 8.5 percent in 1982]

Eligibility status	Benefit level		
	July 1980 to June 1981	July 1981 to June 1982	Estimate, July 1982
Individual:			
Living in own household	$238.00	$264.70	$287.20
Living in another's household	158.67	176.47	191.47
Couple:			
Living in own household	357.00	397.00	430.70
Living in another's household	238.00	264.67	287.13
Individual receiving institutional care in medicaid facility	25.00	25.00	25.00
Essential person	119.20	132.60	143.90

INCOME ELIGIBILITY

Under the program, $20 of monthly income from virtually any source (such as social security benefits, but *not* need-tested income such as veterans' pensions) is disregarded. In addition, the first $65 of monthly earned income plus one-half of remaining earnings are disregarded. For the blind and disabled only, the cost of an approved plan to achieve self-support is also disregarded and reasonable work expenses associated with the disability are also disregarded. Income received in sheltered workshops and work activity centers is considered earned income and qualifies for earned income disregards.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute. Generally, in-kind assistance provided by or under the auspices of a federally assisted program, or by a State or local government (for example, nutrition, food stamps, housing or social services), will not be counted as income. However, if an SSI applicant or recipient is living in the household of another and receiving in-kind support and maintenance from him, the SSI benefit payment for such an individual will be reduced by one-third of the SSI benefit payment.

As countable income (total income minus disregarded income) increases, a recipient's SSI payment level decreases. Eligibility for SSI ends when countable income equals the Federal benefit plus maximum State supplemental payment levels.

TABLE 2.—FEDERAL INCOME ELIGIBILITY CEILINGS UNDER SSI, JULY 1981 TO JUNE 1982

	Receiving only social security or other income other than wages		Receiving only wage income	
	Monthly	Annually	Monthly	Annually
Single	$284.70	$3,416.40	$614.40	$7,372.80
Couple	417.00	5,004.00	879.00	10,548.00

The Social Security Disability Amendments of 1980 (Public Law 96–265) allows disabled SSI recipients who lose eligibility for regular SSI benefits because of increased earnings, but who continue to be medically disabled, to receive special benefits and remain eligible for medicaid and social services on the same basis as regular SSI recipients. Special benefits are provided until the person's income reaches the related Federal gross earnings ceiling (break-even level) of $614.40 monthly, shown in Table 2, plus impairment-related work expenses.

RESOURCES

SSI eligibility is restricted to qualified persons who have assets of less than $1,500, or less than $2,250 in the case of married couples. In determining assets, a number of items are not included, such as the individual's home; life insurance policies with a total face value of $1,500 or less; and, within reasonable limits set by the Secretary of Health and Human Services, household goods, personal effects and an automobile. Regulations place a limit of $2,000 in equity value on excluded household goods and personal effects and exclude the first $4,500 in current market value of an auto (100 percent of the auto's value if it is used for medical treatment or employment or has been modified for use by a handicapped person). Assets, tools and other property essential to self-support of the blind or the disabled are also excluded.

DEEMING OF INCOME AND RESOURCES

The income and resources of an ineligible spouse who lives with an adult recipient or of a parent living with a child recipient under age 18 are considered in determining the amount of payment. If the countable income of the ineligible spouse exceeds $132.35 monthly, the excess is deemed available to the SSI recipient, combined with the income of the eligible person, and treated as the income of an eligible couple. If the income is earned, $65 per month and the $20 general income exclusion are deducted (if not previously applied to the recipient's unearned or earned income), along with half of the remaining earnings.

For example, the deeming procedure would work as follows for an ineligible spouse earning $400 per month living with an eligible individual with $180 of social security benefits:

Earned income of ineligible individual	$400.00
Less $65	−65.00
Less one-half of remaining earnings ($335)	−167.50
Countable income	167.50
Less $132.35	−132.35
Amount deemed to eligible individual	35.15

Thus, the benefit for the eligible individual will be $69.55 [$264.70−($180.00 less $20 exclusion)−$35.15]. Without deeming, the individual would have received $104.70 [$264.70−($180.00 less $20 exclusion)]. The $20 exclusion can only be used once and is first applied to unearned income.

Resources of the spouse or parent may also be deemed to a recipient when they are in excess of the amount that would be excluded if the spouse or parent were applying for SSI payments. Parental resources are not deemed to a child who has attained age 18.

In determining the eligibility of aliens applying for SSI, the income and resources of their sponsors are considered. After allowances for the needs of the sponsors and his family, the remainder is deemed available for the support of the alien applicant for a 3-year period after entry into the United States. This provision does not apply to those who become blind or disabled after entry, to refugees, and to persons granted political asylum.

This process of deeming involved 60,000 recipients in December 1980. Two-thirds of those with deemed income were adults, the majority of whom were disabled. The average monthly amount of deemed income was $125.73—$125.29 for adults and $126.66 for children.

STATE SUPPLEMENTATION

State supplementary payments are required by law to maintain income levels of former public assistance recipients transferred to the Federal SSI program. States may also choose to provide additional supplements to both former public assistance recipients and new SSI eligibles. At present, 25 States and the District of Columbia do so by amounts ranging from $10 to above $261 per person for individuals living independently. States may elect to administer their supplementary payments as a separate program or contract with the Social Security Administration for Federal administration. Approximately one-third of Federal SSI recipients also receive a federally administered State supplement. Table 10 shows the total amount of State supplementation by State.

Table 11 for individuals and Table 12 for couples illustrate the maximum potential payment for individuals, with no income, by State. These tables assume that the elderly individual or couple receive a shelter deduction of $115 in the food stamp program. Approximately 65 percent of the elderly in the food stamp program take a shelter deduction, and it is estimated that approximately 16 percent of the elderly will be allowed a deduction of $115 or more. For those individuals or couples with no shelter deduction, the monthly food stamp and combined benefit amount would be reduced by $34.50. There is no ceiling on the excess shelter deduction for aged or disabled persons.

INTERACTION WITH OTHER PROGRAMS (MEDICAID AND FOOD STAMPS)

In most States, a person receiving a Federal or State SSI payment is automatically eligible for medicaid.

If a State's medicaid eligibility standards in effect in 1972 were more restrictive than the current SSI eligibility standards, the State may maintain its more restrictive requirements. (However, medicaid applicants in such States may deduct their medical expenses from their countable income for purposes of eligibility determinations.)

In the following States, SSI recipients are not immediately eligible for medicaid:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Mississippi
Missouri
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

Except in California and Wisconsin, SSI beneficiaries may qualify for food stamps if they meet the food stamp income and assets requirements. In these two States, the food stamp program is "cashed out"—in other words, these States have chosen to increase State SSI supplemental payments in lieu of food stamps.

The interaction with the food stamp program has important financial implications for a State which desires to increase the income of its SSI recipients by $1.00. Because food stamps are reduced by $.30 for each additional $1.00 of SSI income including State supplements, the State must expend $1.43 to obtain an effective $1.00 increase in SSI recipients' total income.

FINANCING

Federal SSI payments are financed from general funds of the Treasury. Federal benefit payments for 1981 were $6.431 billion; estimated payments for 1982 are $6.994 billion; and expenditures of $8.903 billion are projected for fiscal year 1983. Table 3 describes direct program cost by activities for 1980 and estimated cost for 1981 and 1982.

Tables 3 and 4 illustrate the amount and number of federally administered SSI payments. Table 10 also shows the dollar amount of State-administered and State-financed State supplements.

TABLE 3.—SSI FEDERAL PROGRAM COST BY ACTIVITIES

[In millions of dollars]

Program by activities	1981 (actual)	1982 (estimate)	1983 (estimate)
Direct program:			
1. Federal benefit payments	6,396	6,971	7,985
2. Federal hold-harmless payments	35	23	15
3. Beneficiary services	20	84	13
4. Payments to the trust funds for administrative costs	719	743	860
5. Federal fiscal liability		79	27
Total Federal direct program [2]	7,171	7,900	[1] 8,903
6. State financed State supplements	1,804	1,890	2,010

[1] Includes $2 million for disability demonstration projects.

[2] May not add due to rounding.

In 1981, State-financed supplements to the basic Federal benefit level totaled $1.804 billion and are estimated to be $1.890 billion and $2.010 billion respectively, for fiscal years 1982 and 1983.

NUMBER OF RECIPIENTS AND AVERAGE PAYMENTS

The average number of recipients for 1980 and 1981 and estimates for 1982 and 1983 are shown in Table 4. Overall, the number of recipients has remained the same with the number of aged declining slightly and the number of the blind and disabled recipients increasing slightly.

TABLE 4.—AVERAGE NUMBER OF RECIPIENTS RECEIVING SSI PAYMENTS, 1980–82

[In thousands]

	1980	1981	1982 (estimate)	1983 (estimate)
Aged	1,584	1,506	1,448	1,388
Blind and disabled [1]	2,116	2,157	2,206	2,242
Total, Federal	3,700	3,663	3,654	3,630
State supplementary payment recipients only	460	448	472	486
Total, SSI	4,160	4,111	4,126	4,116

[1] Note that approximately 18 percent also are aged.

Table 5 illustrates a similar pattern over the period from December 1975 to June 1981. The 65 and over recipient population has declined by 12.9 percent while the disabled population has increased by 6.0 percent, leaving a small downward trend (5.0 percent) in the number of recipients.

TABLE 5.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTRATED SSI PAYMENTS IN DECEMBER 1975 AND JUNE 1981 BY REASON FOR ELIGIBILITY AND AGE, NUMBER AND PERCENTAGE CHANGE DURING THE 5-YR. PERIOD

[In thousands]

Reason for eligibility and age	December 1975	June 1981	Change between 1975 and 1981	
			Number	Percent
Reason for eligibility:				
Aged	2,307	1,753	−544	−24.0
Blind	74	79	5	6.8
Under 18	3	6	3	100.0
18 to 21	4	4	0	0
22 to 64	46	44	−2	−4.3
65 and over	22	24	2	−9.1
Disabled	1,933	2,267	334	17.3
Under 18	104	188	84	80.8
18 to 21	90	118	28	31.1
22 to 64	1,559	1,553	−6	−.4
65 and over	179	409	230	128.5
Age:				
Under 18	107	194	87	81.3
18 to 21	93	122	29	31.2
22 to 64	1,605	1,596	−9	−.6
65 and over	2,508	2,185	−323	−12.9
Total	4,314	4,099	−215	−5.0

Monthly payments averaged $134.00 to aged individuals and $205.41 to couple; $201.80 and $257.59, respectively to disabled individuals and couples. Monthly payments to children averaged $219.08.

CHARACTERISTICS OF RECIPIENTS

Eighty-eight percent of all SSI recipients lived in their own households in December 1980, including 90 percent of aged, 89 perment of blind and 87 percent of disabled persons (Table 6). A greater proportion of disabied persons lived in another's household (7 percent), or were in Medicaid institutions (6 percent).

TABLE 6.—NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND LIVING ARRANGEMENTS, DECEMBER 1980

Living arrangement	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	4,142,017	1,807,776	78,401	2,255,840
Total percent	100.0	100.0	100.0	100.0
Own household [1]	88.3	90.0	89.2	86.8
Another's household	6.2	5.2	6.6	7.0
Institutional care covered by medicaid	5.4	4.8	4.2	6.0

[1] "Own household" applies to adults who are sole or joint heads of households, blind and disabled children in their parent's household, and persons in domiciliary-care facilities.

Receipt of income

About two-thirds of SSI recipients were also receiving other income in December 1980, some from more than one source (Table 7). Social security benefits represented the largest single income source. Over half of all SSI recipients had OASDI benefits, including 70 percent of aged, 38 percent of blind, and 36 percent of disabled recipients.

TABLE 7.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND PERCENT IN CONCURRENT RECEIPT OF INCOME AND AVERAGE MONTHLY AMOUNT, BY REASON FOR ELIGIBILITY AND TYPE OF INCOME, DECEMBER 1980

Type of income	Total	Reason for eligibility		
		Aged	Blind	Disabled
Total number	4,142,017	1,807,776	78,401	2,255,840
	Percent with income			
Social security benefits	51.0	70.2	37.8	36.0
Other unearned income	11.0	12.8	11.3	9.5
Earned income	3.2	1.9	7.2	4.2
	Average monthly amount			
Social security benefits	$197	$199	$208	$194
Other unearned income	74	65	76	84
Earned income	107	92	387	96

Unearned income other than social security was reported by 11 percent of the SSI population, the majority of whom were getting either support and maintenance in kind or veteran's benefits (Table 8). Three percent of the recipient caseload had earned income. Blind recipients were more likely to have earned income (7 percent).

For those individuals with social security benefits, the average was $197 per month. Similarly, for those with other unearned income, the average was $74 per month and for the 3.2 percent with earned income, the average was $107 per month.

TABLE 8.—NUMBER OF PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS AND UNEARNED INCOME (OTHER THAN SOCIAL SECURITY) AND AVERAGE MONTHLY UNEARNED INCOME BY TYPE OF INCOME, DECEMBER 1980

Type of income	Number [1]	Average [2]
Total	455,905	$74
Veterans' benefits	105,687	112
Railroad retirement	6,832	215
Black lung benefits	1,185	169
Employment pensions	29,991	87
Workmen's compensation	1,579	151
Support and maintenance in kind	165,366	55
Support from absent parents	11,817	83
Asset income	62,879	17
Assistance based on need	12,421	74
Other	58,148	93

[1] With unearned income other than social security benefits.

[2] Monthly amount of unearned income.

Race and sex

Sixty-four percent of the SSI caseload in December 1980 was white and 28 percent black. Persons of other races made up 3 percent, while race was not reported for the remaining 5 percent.

Women accounted for two-thirds of the SSI caseload, including 73 percent of aged recipients, 60 percent of those disabled, and 57 percent of the blind. These figures are consistent with data showing women to have a higher life expectancy—77.2 years in 1978, compared to 69.5 years for men,[2] but lower income levels—$6,772 compared to $15,350 for men.[3]

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[2] U.S. Bureau of the Census, Statistical Abstract of the United States: 1980 (101st edition), Washington, D.C., 1980, table 106, p. 72.

[3] U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 127, "Money Income and Poverty Status of Families and Persons in the United States: 1980" (Advance Data from the March 1981 Current Population Survey), U.S. Government Printing Office, Washington, D.C., 1981, table 14, p. 24.

TABLE 9.—NUMBER OF SSI RECIPIENTS BY STATE, SEPTEMBER 1981

State	Total	Aged	Blind	Disabled
Total [1]	4,037,881	1,701,964	78,371	2,257,546
Alabama [2]	131,124	71,917	1,920	57,287
Alaska [2]	3,079	1,158	55	1,866
Arizona [2]	29,212	10,968	586	17,658
Arkansas	75,473	40,299	1,474	33,700
California	698,612	304,202	18,077	376,333
Colorado [2]	29,543	12,074	363	17,106
Connecticut [2]	23,453	7,020	379	16,054
Delaware	6,996	2,398	153	4,445
District of Columbia	15,080	4,094	206	10,780
Florida	172,422	83,195	2,765	86,462
Georgia	151,206	67,458	2,933	80,815
Hawaii	10,073	4,780	161	5,132
Idaho [2]	7,450	2,423	112	4,915
Illinois [2]	122,111	33,479	1,860	86,772
Indiana [2]	41,018	13,728	1,137	26,153
Iowa	25,174	10,028	1,033	14,113
Kansas	20,049	7,314	303	12,432
Kentucky [2]	93,259	39,660	2,041	51,558
Louisiana	132,167	60,441	2,150	69,576
Maine	20,915	8,933	292	11,690
Maryland	47,515	15,219	667	31,629
Massachusetts	111,539	55,835	5,013	50,691
Michigan	111,897	35,022	1,884	74,991
Minnesota [2]	30,982	11,908	639	18,435
Mississippi	111,081	58,890	1,817	50,374
Missouri [2]	81,420	36,620	1,335	43,465
Montana	6,834	2,153	137	4,544
Nebraska [2]	13,294	4,908	231	8,155
Nevada	6,706	3,431	451	2,824
New Hampshire [2]	5,296	1,896	130	3,270
New Jersey	84,192	30,910	1,131	52,151
New Mexico [2]	25,075	9,972	453	14,650
New York	355,616	127,911	4,086	223,619
North Carolina [2]	137,416	60,734	3,048	73,634
North Dakota [2]	6,130	2,993	75	3,062
Ohio	116,988	32,106	2,314	82,568
Oklahoma [2]	64,170	31,300	987	31,883
Oregon [2]	22,066	6,930	492	14,644
Pennsylvania	158,788	53,342	3,162	102,284
Rhode Island	14,826	5,666	204	8,956

TABLE 9.—NUMBER OF SSI RECIPIENTS BY STATE, SEPTEMBER 1981—Continued

State	Total	Aged	Blind	Disabled
South Carolina [2]	82,280	36,372	1,882	44,026
South Dakota	7,940	3,587	140	4,213
Tennessee	127,665	57,245	1,977	68,443
Texas [3]	255,951	139,607	4,225	112,119
Utah [2]	7,613	2,275	156	5,182
Vermont	8,725	3,400	121	5,204
Virginia [2]	79,761	33,051	1,390	45,320
Washington	43,825	14,214	563	29,048
West Virginia [2]	40,336	12,691	659	26,986
Wisconsin	61,153	25,158	947	35,048
Wyoming	1,736	685	36	1,015
Unknown	47	17	....	30
Other areas:				
Northern Mariana Islands [3]	602	347	19	236

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[1] Includes persons with Federal SSI payments and/or federally administered State supplementation, unless otherwise indicated.

[2] Data for Federal SSI payments only. State has State-administered suppplementation.

[3] Data for Federal SSI payments only; State supplementary payments not made.

TABLE 10.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, AND STATE ADMINISTERED STATE SUPPLEMENTATION, BY STATE, FISCAL YEAR 1981

[In thousands]

State	Total	Federal SSI [1]	Federally administered State supplementation [2]	State administered State supplementation [3]
Total [4]	$8,259,719	$6,398,955	$1,860,764	$235,957
Alabama	210,475	210,475		12,009
Alaska	6,063	6,063		1,506
Arizona	57,511	57,511		1,324
Arkansas	114,387	114,323	64	
California	2,056,682	801,495	1,255,187	
Colorado	50,160	50,160		34,788
Connecticut	42,784	42,784		22,154
Delaware	11,994	11,548	446	
District of Columbia	33,516	29,537	3,979	
Florida	328,300	328,300		3,457
Georgia	252,721	252,642	79	
Hawaii	21,513	17,187	4,326	
Idaho	12,357	12,357		3,477
Illinois	227,599	227,599		28,321
Indiana	65,979	65,979		
Iowa	37,101	36,134	967	
Kansas	30,201	30,130	71	
Kentucky	165,551	165,551		11,328
Louisiana	236,774	236,625	149	
Maine	30,654	26,171	4,483	
Maryland	89,421	89,229	192	665
Massachusetts	244,778	129,149	115,629	
Michigan	247,160	183,171	63,989	
Minnesota	44,845	44,845		11,329
Mississippi	184,542	184,483	59	
Missouri	137,896	137,896		10,509
Montana	11,766	11,073	693	
Nebraska	20,914	20,914		4,748
Nevada	12,171	9,578	2,593	
New Hampshire	8,704	8,704		5,482
New Jersey	170,690	144,032	26,658	
New Mexico	45,140	45,140		236
New York	839,795	615,211	224,584	
North Carolina	227,863	227,863		24,427
North Dakota	9,316	9,316		1,146

TABLE 10.—SUPPLEMENTAL SECURITY INCOME: TOTAL PAYMENTS, FEDERAL SSI PAYMENTS, FEDERALLY ADMINISTERED STATE SUPPLEMENTARY PAYMENTS, AND STATE ADMINISTERED STATE SUPPLEMENTATION, BY STATE, FISCAL YEAR 1981—Continued

[In thousands]

State	Total	Federal SSI [1]	Federally administered State supplementation [2]	State administered State supplementation [3]
Ohio	218,267	218,158	109	
Oklahoma	105,645	105,645		41,898
Oregon	38,315	38,315		6,124
Pennsylvania	327,833	269,974	57,859	
Rhode Island	26,798	20,216	6,582	
South Carolina	135,312	135,312		2,258
South Dakota	11,398	11,360	38	999
Tennessee	215,765	215,765		
Texas	395,941	395,941		
Utah	12,593	12,593		701
Vermont	16,777	11,938	4,839	
Virginia	131,870	131,870		7,301
Washington	88,963	71,801	17,162	
West Virginia	78,851	78,851		94
Wisconsin	128,335	68,684	59,651	
Wyoming	2,774	2,774		176
Other areas:				
Northern Mariana Islands	1,425	1,425		

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[1] Federal SSI payments of $84,000 and State supplements of $6,000 not reported by State.

[2] The total amount of State payments was reduced by $71,000 to reflect returned checks and overpayment refunds in some States where an amount is not shown.

[3] Excludes data for Indiana and Iowa.

[4] Includes $35,511,000 paid to Indochinese refugees—$25,072,000 Federal SSI and $10,439,000 State supplementation.

TABLE 11.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1981 [1]

	Maximum SSI benefit [2]	Food stamp benefit [3]	Combined benefits	
			Monthly	Annual
Alabama	$264.70	$53	$317.70	$3,812
Alaska	[4] 525.70	56	581.70	6,980
Arizona	264.70	53	317.70	3,812
Arkansas	264.70	53	317.70	3,812
California	[5] 439.00	[6] 0	439.00	5,268
Colorado	[7] 325.70	34	359.70	4,316
Connecticut	[8] 424.90	0	424.90	5,099
Delaware	264.70	53	317.70	3,812
District of Columbia	279.70	48	327.70	3,932
Florida	264.70	53	317.70	3,812
Georgia	264.70	53	317.70	3,812
Hawaii	279.90	95	374.90	4,499
Idaho	339.00	30	369.00	4,428
Illinois	[9] 364.70	22	381.70	4,640
Indiana	264.70	53	317.70	3,812
Iowa	[10] 264.70	53	317.70	3,812
Kansas	264.70	53	317.70	3,812
Kentucky	264.70	53	317.70	3,812
Louisiana	264.70	53	317.70	3,812
Maine	274.70	50	324.70	3,896
Maryland	264.70	53	317.70	3,812
Massachusetts	[11] 401.92	11	412.92	4,955
Michigan	289.00	45	334.00	4,008
Minnesota	299.00	42	341.00	4,092
Mississippi	264.70	53	317.70	3,812
Missouri	264.70	53	317.70	3,812
Montana	264.70	53	317.70	3,812
Nebraska	358.00	25	383.00	4,596
Nevada	[12] 311.40	39	350.40	4,205
New Hampshire	289.00	45	334.00	4,008
New Jersey	[13] 289.70	49	338.70	4,064
New Mexico	264.70	53	317.70	3,812
New York	327.91	33	360.91	4,331
North Carolina	264.70	53	317.70	3,812
North Dakota	264.70	53	317.70	3,812
Ohio	264.70	53	317.70	3,812
Oklahoma	343.70	29	372.70	4,472
Oregon	[14] 276.70	49	325.70	3,908
Pennsylvania	297.10	43	340.10	4,081

TABLE 11.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR INDIVIDUALS LIVING INDEPENDENTLY, JANUARY 1981[1]—Continued

	Maximum SSI benefit[2]	Food stamp benefit[3]	Combined benefits	
			Monthly	Annual
Rhode Island	311.46	39	350.46	4,206
South Carolina	264.70	53	317.70	3,812
South Dakota	[15]279.70	48	329.70	3,932
Tennessee	264.70	53	317.70	3,812
Texas	264.70	53	317.70	3,812
Utah	274.70	50	324.70	3,896
Vermont	308.60	39	347.60	4,171
Virginia	264.70	53	317.70	3,812
Washington	[16]303.00	41	344.00	4,128
West Virginia	264.70	53	317.70	3,812
Wisconsin	[17]364.40	[6]0	364.40	4,373
Wyoming	[15]284.70	47	331.70	3,980
Northern Marianas	264.70	53	317.70	3,812

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[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category. Available data on these variations are shown in following footnotes.

[2] Maximum amounts payable to an aged SSI recipient in combined Federal and State supplementary payments. The Federal floor benefit for the year July 1, 1981 through June 30, 1982 is $264.70.

[3] For one-person households, maximum food stamp benefits from January 1981 through Sept. 1982 are $70 in the 48 contiguous States and the District of Columbia, $108 in Alaska, and $95 in Hawaii. For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $85 per month, (2) an "excess shelter expense" deduction of $115 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an "excess medical" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter deductions were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($345 and $285 respectively, for combined standard and excess shelter allowance).

[4] Less if shelter costs less than $35 monthly.

[5] Higher if blind ($492).

[6] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[7] Less if blind or disabled (278 for each).

[8] Estimated maximum paid for aged individual couple with averge shelter cost of $200 monthly. Higher if shelter costs are higher or special need exists. State decides benefits on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces only $33 excess shelter deduction for food stamp calculation.)

[9] Estimated maximum paid for aged individual couple with average shelter cost. State decides benefits on case-by-case basis. Estimate provided by State official.

[10] Higher if blind ($286.70).

[11] Higher if blind ($422.84); lower if disabled ($387.49). Massachusetts raised supplementary benefit levels on November 1, 1981, retroactive to July 1981.

[12] Higher if blind ($384.30).

[13] Effective February 1, 1982, New Jersey reduced SSI supplements for those living independently because of a court order regarding distribution of a special energy allowance among classes of recipients. Benefits shown include $12.50 per case for energy aid, disregarded by the food stamp program.

[14] Higher if blind ($301.70).

[15] State supplement paid only if recipient has no income other than Federal SSI payment.

[16] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties. Elsewhere the maximum benefit is $282.55.

[17] These levels took effect November 1; Wisconsin paid lower amounts in July-October 1981.

TABLE 12.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR COUPLES LIVING INDEPENDENTLY, JANUARY 1982 [1]

	Maximum SSI benefit [2]	Food stamp benefit [3]	Combined benefits	
			Monthly	Annual
Alabama	$397.00	$71	$468.00	$5,616
Alaska	[4] 773.00	70	843.00	10,116
Arizona	397.00	71	468.00	5,616
Arkansas	397.00	71	468.00	5,616
California	[5] 815.00	[6] 0	815.00	9,780
Colorado	[7] 652.00	0	652.00	7,824
Connecticut	[8] 636.20	0	636.20	7,634
Delaware	397.00	71	468.00	5,616
District of Columbia	427.00	62	489.00	5,868
Florida	397.00	71	468.00	5,616
Georgia	397.00	71	468.00	5,616
Hawaii	421.20	136	557.10	6,685
Idaho	464.00	51	515.00	6,180
Illinois	[9] 497.00	41	538.00	6,456
Indiana	397.00	71	468.00	5,616
Iowa	[10] 397.00	71	468.00	5,616
Kansas	397.00	71	468.00	5,616
Kentucky	397.00	71	468.00	5,616
Louisiana	397.00	71	468.00	5,616
Maine	412.00	66	478.00	5,736
Maryland	397.00	71	468.00	5,616
Massachusetts	[11] 611.32	10	621.32	7,456
Michigan	433.40	60	493.40	5,801
Minnesota	441.00	58	499.00	5,988
Mississippi	397.00	71	468.00	5,616
Missouri	397.00	71	468.00	5,616
Montana	397.00	71	468.00	5,616
Nebraska	534.00	30	564.00	6,768
Nevada	[12] 486.86	44	530.86	6,370
New Hampshire	413.00	66	479.00	5,748
New Jersey	[13] 416.00	69	485.00	5,820
New Mexico	397.00	71	468.00	5,616
New York	476.48	47	523.48	6,282
North Carolina	397.00	71	468.00	5,616
North Dakota	397.00	71	468.00	5,616
Ohio	397.00	71	468.00	5,616
Oklahoma	555.00	24	579.00	6,948
Oregon	[14] 407.00	68	475.00	5,700
Pennsylvania	445.70	56	501.70	6,020

TABLE 12.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR COUPLES LIVING INDEPENDENTLY, JANUARY 1982 [1]—Continued

	Maximum SSI benefit [2]	Food stamp benefit [3]	Combined benefits	
			Monthly	Annual
Rhode Island	485.25	44	529.25	6,351
South Carolina	397.00	71	468.00	5,616
South Dakota	[15] 412.00	66	478.00	5,736
Tennessee	397.00	71	468.00	5,616
Texas	397.00	71	468.00	5,616
Utah	417.00	65	482.00	5,784
Vermont	[16] 478.40	46	524.40	6,293
Virginia	397.00	71	468.00	5,616
Washington	[17] 433.30	60	493.30	5,920
West Virginia	397.00	71	468.00	5,616
Wisconsin	[18] 558.00	[6] 0	588.00	7,056
Wyoming	[15] 437.00	59	496.00	5,952
Northern Marianas	397.00	71	468.00	5,616

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[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category. Available data on these variations are shown in following footnotes.

[2] Maximum amounts payable to an aged SSI recipient in combined Federal and State supplementary payments. The Federal floor benefit for the year July 1, 1981 through June 30, 1982 is $397 per couple.

[3] For 2-person households, maximum food stamp benefits from January 1981 through Sept. 1982 are $128 in the 48 contiguous States and the District of Columbia, $197 in Alaska, and $175 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $85 per month, (2) an "excess shelter expense" deduction of $115 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an "excess medical expense" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter costs were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($345 and $285, respectively, for combined standard and excess shelter allowance.)

[4] Less if shelter costs less that $35 monthly.

[5] Higher if blind ($958).

[6] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[7] Less if blind or disabled ($556 each).

[8] Estimated maximum paid for aged couple with average shelter cost of $200 monthly. Higher if shelter costs are higher or special need exists. State decides benefits on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces no excess shelter cost deduction for food stamp calculation.)

[9] Estimated maximum paid for aged couple with average shelter cost. State decides benefits on case-by-case basis. Estimate provided by State official.

[10] Higher if blind ($441).

[11] Higher if blind ($845.68), lower if disabled ($589.66). Massachusetts raised supplementary benefit levels on Nov. 1, 1981, retroactive to July 1981.

[12] Higher if blind ($768.60).

[13] Effective Feb. 1, 1982, New Jersey reduced SSI supplements for those living independently because of a court order regarding distribution of a special energy allowance among classes of recipients. Benefits shown include $12.50 per case for energy aid, disregarded by the food stamp program.

[14] Higher if blind ($438).

[15] State supplement paid only if recipient has no income other than Federal SSI payment.

[16] Sum paid only in Chittenden County ($452.70 elsewhere).

[17] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties. Eleswhere the maximum benefit is $403.35.

[18] This level took effect Nov. 1; Wisconsin paid lower amounts in July–Oct. 1981.

Section 11. Low-Income Home Energy Assistance

Since 1979, the Federal Government has provided assistance to low-income households to help them deal with high energy prices. During fiscal year 1981, the Home Energy Assistance Act of 1980 (title III of Public Law 96-232, the Crude Oil Windfall Profit Tax Act of 1980) authorized a program of block grants to the States to provide energy assistance to low-income families. In fiscal year 1981, $1.85 billion was appropriated for the program.

As part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) the Low-Income Home Energy Assistance Act of 1981 authorized the Secretary of Health and Human Services to make grants to States to assist eligible households to meet the costs of home energy. For each of the fiscal years 1982, 1983 and 1984, $1.875 billion was authorized. There is no State matching requirement.

The continuing resolution adopted in December 1981 to be effective through March 1982 appropriated $1,752,500,000 for the low-income home energy assistance program.

ALLOTMENTS TO STATES AND TERRITORIES

State allocations are determined on the basis of the percentage of funds each State received for fiscal year 1981 under the Home Energy Assistance Act of 1980. The law provides discretion to the Secretary of Health and Human Services to apportion between one-tenth and one-half of 1 percent of the funds available in the fiscal year to the territories. As of February 1, 1982, the Secretary had not yet allocated funds to the territories. Table 1 shows the allocations to the States for fiscal years 1981 and 1982. The 1982 allocation is based upon the funds appropriated in the continuing resolution enacted in December 1981. Indian tribes can receive direct funding under a State's allocation if the Secretary of Health and Human Services determines that the tribe would be better served.

Up to 25 percent of a State's allotment may be held by the State for use in the following fiscal year. The amount reserved does not change, in any way, the State's subsequent fiscal year allocation. Amounts above 25 percent that are not expended may be reallocated by the Secretary. States have the authority to transfer up to 10 percent of their allotment to one or any combination of the block grants for: community services; title XX social services; preventive health services; primary health care; and maternal and child health services.

As is the case with the 25 percent carryover authority, if a State chooses to transfer up to 10 percent of its allotment to other block grants, the transfer would not affect the computation of the State's allotment under the energy assistance program.

TABLE 1.—FISCAL YEARS 1981 AND 1982 ALLOCATIONS TO STATES FOR LOW-INCOME HOME ENERGY ASSISTANCE

[In thousands]

State	Fiscal year 1981 allocation	Fiscal year 1982 allocation
Alabama	$15,674	$15,021
Alaska	10,005	9,588
Arizona	7,580	7,264
Arkansas	11,960	11,461
California	84,088	80,582
Colorado	29,319	28,096
Connecticut	38,247	36,653
Delaware	5,077	4,865
District of Columbia	5,940	5,692
Florida	24,801	23,767
Georgia	19,609	18,792
Hawaii	1,975	1,892
Idaho	11,436	10,959
Illinois	105,862	101,448
Indiana	47,931	45,933
Iowa	33,970	32,553
Kansas	15,600	14,950
Kentucky	24,943	23,903
Louisiana	16,024	15,356
Maine	24,778	23,745
Maryland	29,285	28,064
Massachusetts	76,507	73,317
Michigan	100,507	96,316
Minnesota	72,409	69,390
Mississippi	13,438	12,878
Missouri	42,285	40,522
Montana	13,414	12,855
Nebraska	16,799	16,099
Nevada	3,560	3,412
New Hampshire	14,481	13,877
New Jersey	71,025	68,064
New Mexico	9,490	9,094
New York	231,907	222,238
North Carolina	34,561	33,120
North Dakota	14,572	13,964
Ohio	93,651	89,746
Oklahoma	14,408	13,807
Oregon	22,723	21,776
Pennsylvania	124,569	119,375

TABLE 1.—FISCAL YEARS 1981 AND 1982 ALLOCATIONS TO STATES FOR LOW-INCOME HOME ENERGY ASSISTANCE—Continued

[In thousands]

State	Fiscal year 1981 allocation	Fiscal year 1982 allocation
Rhode Island	12,594	12,068
South Carolina	12,449	11,929
South Dakota	11,835	11,341
Tennessee	25,267	24,214
Texas	41,261	39,541
Utah	13,624	13,056
Vermont	10,854	10,402
Virginia	35,673	34,186
Washington	37,377	35,818
West Virginia	16,507	15,819
Wisconsin	65,179	62,461
Wyoming	5,455	5,228
Total	1,822,486	1,746,500

Note.—The totals are less than the total amount appropriated because funds to the territories plus Federal administrative costs are not shown.

ELIGIBILITY AND TYPES OF ASSISTANCE

States have considerable discretion under the program to determine eligibility criteria and the types of assistance to be provided to low-income households to deal with high energy costs.

Federal funds may be used to make payments to households in which one or more individuals is receiving AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes which do not exceed the greater of 150 percent of the poverty level or 60 percent of a State's median income. See table 2 for State-by-State information on 60 percent of States' median income for fiscal year 1982 for various size households. See table 1 of Appendix A for poverty level information.

At the option of the State, the Social Security Administration will make direct payments to qualified SSI recipients. SSI recipients are not automatically eligible for direct assistance if they live in a medicaid institution, live in the household of another resulting in a one-third reduction in Federal benefits or are disabled or blind children living at home.

The term "household" for the program means any individual or group of individuals who are living together as one economic unit and for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent.

States are to provide assurances that, in a manner consistent with the efficient and timely payment of benefits, that the highest level of assistance will be furnished to those households which have the lowest income and the highest energy costs in relation to income.

In conducting its outreach activities under the program, States are to give priority to making households with elderly or handicapped individuals aware of the assistance available.

Of the funds available in any fiscal year, States are required to reserve a reasonable amount, based on data from prior years, for energy crisis assistance. States have the option to expend up to 15 percent of the allotment for low-cost weatherization or other energy-related home repairs for low-income households.

In addition to making payments directly to eligible households, a State may choose to use low-income energy assistance funds to pay home energy suppliers directly. States must provide assurances that suppliers will charge the eligible households the difference between the amount of the assistance and the actual cost of home energy.

Also, States may use Federal funds to provide tax credits to energy suppliers who supply home energy to low-income households at reduced rates.

Home energy assistance payments cannot be considered as the income or resources of an eligible household for any purpose under Federal or State law, specifically including any law relating to taxation, public assistance or welfare programs. A provision in the Agriculture and Food Act of 1981 (Public Law 97-98) excludes as income for the food stamp program purposes any payments or allowances made under any Federal law for the purposes of providing energy assistance. Also excluded from being counted as income under the Food Stamp program are payments or allowances made under any State or local law for energy assistance, if they are designated as energy assistance by State or local legislative body and determined by the Secretary of Agriculture to be provided on a seasonable basis, with certain exceptions, for an aggregate period not to exceed 6 months in any year.

TABLE 2.—LOW-INCOME HOME ENERGY ASSISTANCE: 60 PERCENT OF STATES' MEDIAN INCOME, FISCAL YEAR 1982

States	4-person household	2-person household	1-person household
Alabama	$11,168	$7,594	$5,807
Alaska	18,622	12,663	9,683
Arizona	13,800	9,384	7,176
Arkansas	11,096	7,545	5,770
California	15,065	10,244	7,834
Colorado	15,137	10,293	7,871
Connecticut	14,646	9,959	7,616
Delaware	12,710	8,643	6,609
District of Columbia	12,786	8,694	6,649
Florida	12,454	8,469	6,476
Georgia	12,947	8,804	6,473
Hawaii	14,749	1.,029	7,669
Idaho	12,257	8,335	6,374
Illinois	14,559	9,900	7,571
Indiana	13,568	9,227	7,055
Iowa	13,540	9,207	7,041
Kansas	13,709	9,322	7,129
Kentucky	11,483	7,808	5,971
Louisiana	12,100	8,228	6,292
Maine	10,844	7,374	5,638
Maryland	14,812	10,072	7,702
Massachusetts	14,272	9,705	7,421
Michigan	14,653	9,964	7,620
Minnesota	14,645	9,959	7,615
Mississippi	10,603	7,210	5,514
Missouri	12,776	8,688	6,644
Montana	12,031	8,181	6,256
Nebraska	12,449	8,466	6,473
Nevada	15,274	10,386	7,942
New Hampshire	13,401	9,113	6,969
New Jersey	14,676	9,980	7,632
New Mexico	12,619	8,581	6,562
New York	12,649	8,601	6,577
North Carolina	11,789	8,016	6,130
North Dakota	11,712	7,964	6,090
Ohio	13,517	9,191	7,029
Oklahoma	12,511	8,507	6,506
Oregon	14,419	9,805	7,498
Pennsylvania	12,388	9,104	6,962
Rhode Island	12,982	8,828	6,751

TABLE 2.—LOW-INCOME HOME ENERGY ASSISTANCE: 60 PERCENT OF STATES' MEDIAN INCOME, FISCAL YEAR 1982—Continued

States	4-person household	2-person household	1-person household
South Carolina	12,092	8,223	6,288
South Dakota	11,525	7,837	5,993
Tennessee	11,662	7,930	6,064
Texas	14,050	9,554	7,306
Utah	12,750	8,670	6,630
Vermont	11,588	7,880	6,026
Virginia	13,786	9,374	7,169
Washington	14,646	9,959	7,616
West Virginia	11,326	7,701	5,890
Wisconsin	14,111	9,595	7,338
Wyoming	13,604	9,251	7,074

PLANNING AND ADMINISTRATION

No more than 10 percent of a State's allotment can be used for administrative costs.

States are required to submit an application for funds to the Secretary of Health and Human Services. As a part of the annual application, the chief executive officer of the State is required to make certain assurances, and include a plan detailing how these assurances would be carried out. These assurances relate to eligibility requirement, uses to be made of the funds and planning and administrative requirements under the law.

States must provide for public participation and public hearings in development of the State plan including make it available for public inspection and allowing public comment on the plan. States are required to prepare an audit at least once a year of expenditures under this program by an independent entity. States would be required to repay amounts found not to have been spent in accordance with the act, or the Secretary may offset these amounts against future payments. The Comptroller General would be required to evaluate whether expenditures are consistent with the act.

To the extent it is necessary to designate local administrative agencies in order to carry out the purposes of the program, States would be required to give special consideration in the designation to any local public or private nonprofit agency, or successor agency, which was receiving Federal funds under any low-income energy assistance or weatherization program on the date the program was enacted (August 13, 1981). The State must first determine that the agency meets program and fiscal requirements.

The Low-Income Home Energy Assistance Act also contains: nondiscrimination requirements; requirements that fair administrative hearings be provided for individuals whose claim for assistance is denied or not acted on with reasonable promptness; and limits on the use of grants for construction except as related to weatherization activities.

The Secretary of Health and Human Services, after consultation with the Secretary of Energy, is to provide for the collection of certain data, including the characteristics of the households assisted by the program, the costs and types of fuel used and the types of assistance provided by States under the program. The Secretary is to submit an annual report to the Congress containing a summary of the data collected.

Section 12. Title XX Social Service Programs

In 1972, Congress established a $2.5 billion annual ceiling on States' entitlements to Federal social service funds authorized under the various public assistance titles of the Social Security Act with each State's share determined on the basis of the proportion of its population to the total population of all the States.

In 1974, Congress enacted, effective October 1, 1975, a new title XX of the Social Security Act which retained the $2.5 billion ceiling on Federal expenditures for social services and the formula for allocating funds to States. Title XX requires that each service provided under a State's plan be directed toward achieving at least one of the following goals for the recipient: achieving or maintaining economic self support or self sufficiency; preventing or remedying abuse or neglect of children and adults unable to protect their own interest; providing community based or home based care; or enabling individuals to secure appropriate institutional care when necessary.

In fiscal year 1981 the entitlement ceiling for allocation to States for social services was $2.9 billion. The old title XX law provided for the entitlement ceiling to increase by $100 million a year until it reached $3.3 billion in fiscal year 1985. In addition, $16.1 million of title XX funds was available for the territories for social services and $75 million was available to the States for staff training costs related to title XX activities. A total of $2,991,100,000 was available to States and territories for social services and training in fiscal year 1981 under title XX.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XX of the Social Security Act to establish a "Block Grant to States for Social Services" which combined the funding for social services for the States and territories and social services staff training. In fisal year 1982, the entitlement ceiling for the block grant is $2.4 billion.

This increases to $2.45 billion in fiscal year 1983; $2.5 billion in fiscal year 1984; $2.6 billion in fiscal year 1985; and $2.7 billion in fiscal year 1986 and years thereafter. The federal funds are available to States without a State matching requirement, compared to the 25-percent State matching required for most of the title XX funds available to States under the old title XX law. Title XX social services block grant funds are generally allocated to the States on the basis of population. The allotments for Puerto Rico, Guam, the Virgin Islands and the Northern Marianas from the national total are based on their allocation for fiscal year 1981 reduced to reflect the new total funding level. With the enactment of P.L. 97-35, States have the authority to transfer up to 10 percent of their title XX social services allotment to one or any combination of the block grants for community services; low income home energy assistance; preventive health services; primary health care;

and maternal and child health services. Table 1 shows the funds available to each State and territory under the separate title XX services and training allocations, the total for each State in fiscal year 1981, the allocation to each State and territory under the fiscal year 1982 $2.4 billion ceiling, and the fiscal year 1983 $2.45 billion ceiling.

TABLE 1.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES

[In thousands of dollars]

State	Fiscal year 1981			Fiscal year 1982—title XX social services block grants	Fiscal year 1983—title XX social services block grants
	Title XX services	Title XX training	Total allocation		
Total	2,916,100	75,000	2,991,100	2,400,000	2,450,000
Alabama	49,764	965	50,729	40,989	41,816
Alaska	5,359	109	5,469	4,215	4,300
Arizona	31,305	1,077	32,382	28,640	29,217
Arkansas	29,071	1,401	30,472	24,088	24,573
California	296,483	6,148	302,631	249,403	254,430
Colorado	35,508	684	35,576	30,442	31,055
Connecticut	41,213	5,956	47,169	32,749	33,409
Delaware	7,753	152	7,905	6,270	6,396
District of Columbia	8,963	234	9,198	6,723	6,858
Florida	114,290	2,207	116,497	102,631	104,700
Georgia	67,611	1,444	69,055	57,575	58,735
Hawaii	11,929	234	12,163	10,168	10,373
Idaho	11,676	224	11,900	9,947	10,148
Illinois	149,518	2,937	152,455	120,313	122,738
Indiana	71,469	1,392	73,161	57,849	59,015
Iowa	38,513	752	39,265	30,695	31,313
Kansas	31,227	607	31,834	24,899	25,401
Kentucky	46,519	1,484	48,003	38,576	39,354
Louisiana	52,743	1,330	54,073	44,298	45,191
Maine	14,509	630	15,139	11,854	12,093
Maryland	55,097	1,081	56,178	44,424	45,320
Massachusetts	76,787	2,149	78,936	60,451	61,670
Michigan	122,203	2,384	124,587	97,553	99,519
Minnesota	53,302	1,038	54,340	42,960	43,826
Mississippi	31,970	706	32,676	26,564	27,100
Missouri	64,632	1,254	65,886	51,811	52,855
Montana	10,440	615	72,077	8,293	8,460
Nebraska	20,813	408	21,221	16,543	16,877
Nevada	8,777	170	8,947	8,419	8,589
New Hampshire	11,583	222	11,805	9,705	9,900
New Jersey	97,440	1,914	99,354	77,595	79,159

TABLE 1.—TITLE XX SOCIAL SERVICES FEDERAL ALLOCATION BY STATES—Continued

[In thousands of dollars]

State	Fiscal year 1981			Fiscal year 1982—title XX social services block grants	Fiscal year 1983—title XX social services block grants
	Title XX services	Title XX training	Total allocation		
New Mexico	16,118	594	16,712	13,698	13,974
New York	236,027	7,916	243,943	185,000	188,729
North Carolina	74,162	2,163	76,325	61,895	63,143
North Dakota	8,671	280	8,951	6,881	7,019
Ohio	142,949	2,794	145,743	113,769	116,062
Oklahoma	38,301	755	39,056	31,875	32,517
Oregon	32,502	620	32,123	27,744	28,303
Pennsylvania	156,261	3,990	160,251	125,044	127,564
Rhode Island	12,434	440	12,874	9,979	10,180
South Carolina	38,806	751	39,557	32,865	33,528
South Dakota	9,176	180	9,356	7,271	7,417
Tennessee	57,943	1,123	59,066	48,376	49,351
Texas	173,070	4,724	177,795	149,922	152,944
Utah	17,382	635	18,017	15,395	15,705
Vermont	6,477	403	6,880	5,384	5,493
Virginia	68,462	1,547	70,092	56,331	57,467
Washington	50,190	1,235	51,425	43,518	44,395
West Virginia	24,736	1,244	25,980	20,547	20,962
Wisconsin	62,225	1,415	63,640	49,577	50,576
Wyoming	5,639	285	5,924	4,953	5,063
Puerto Rico	16,000	....	16,000	12,414	12,672
Guam	500	....	500	414	422
Virgin Islands	500	....	500	414	422
Northern Marianas	100	....	100	83	84

PLANNING AND ADMINISTRATIVE REQUIREMENTS

As under previous title XX law, States are required to make available for public comment a report on how the funds are to be used, including information about the types of social services, and related training and administrative activities to be funded and the characteristics of the individuals to be served. This report is also to be submitted to the Department of Health and Human Services. At least every two years, the State must prepare a post-expenditure report describing the activities for which funds were expended and the extent to which funds were spent in a manner consistent with the pre-expenditure report. At least every two years, States must arrange for an independent audit of these expenditures.

While there are now fewer Federal requirements than previously regarding public participation in the development of a State's title

XX plan, a survey of States conducted by the American Public Welfare Association shows almost all the States have indicated that they have no plans to reduce the amount or substantially change their methods of public participation.

RECIPIENTS OF TITLE XX FUNDED SOCIAL SERVICES

In fiscal year 1979, when the ceiling on title XX services funds was $2.9 billion, over 7.2 million individuals were recipients of title XX services.

Under the old title XX law, eligibility for title XX funded social services was determined by the states within certain parameters set by Federal law.

The Budget Reconciliation Act eliminated the federally mandated priority that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI or medicaid.

The Budget Reconciliation Act also eliminated the following provisions in the title XX program related to targeting services to low income individuals and families:

—With certain exceptions, no person with gross family income higher than 115 percent of the State's median income for a family of four (adjusted for family size) could receive title XX funded services. The exceptions were protective services for abused or neglected children or adults, family planning services and information and referral services.

—States had to charge fees reasonably related to income for services to individuals or families with income higher than 80 percent of the State's median income or the median income of all States, whichever was lower, and they could, at their option, charge fees for services to persons below that income level.

While States no longer have to set eligibility standards or target funds within certain parameters set by Federal title XX law, many States had chosen income eligibility criteria lower than the Federal maximum income eligibility limits under the old title XX law. Therefore, it could be expected that the income eligibility criteria that States choose in fiscal year 1982 and thereafter would not exceed that of previous years and most likely would be lower because of the 20 percent reduction in the title XX ceiling. Table 2 summarizes the income eligibility criteria for States in fiscal year 1980.

TABLE 2.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Alabama	16,629	13,303	65	65
Alaska	32,119	25,695	(2)	(2)
Arizona	19,101	15,281	80	80
Arkansas	15,068	12,054	80	80
California	20,858	16,686	115	80
Colorado	20,181	16,145	74	74
Connecticut	20,469	16,375	80	80
Delaware	18,245	14,598	67	67
District of Columbia	19,047	15,238	85	80
Florida	17,874	14,299	54	50
Georgia	16,835	13,468	80	61
Hawaii	21,718	17,374	60	60
Idaho	16,601	13,281	80	80
Illinois	20,243	16,194	115	80
Indiana	19,131	15,305	80	80
Iowa	18,441	14,753	62	50
Kansas	18,379	14,703	80	80
Kentucky	16,264	13,011	80	80
Louisiana	16,511	13,209	58	58
Maine	15,025	12,020	115	80
Maryland	21,193	16,954	115	80
Massachusetts	19,508	15,606	76	51
Michigan	20,908	16,726	80	80
Minnesota	20,715	16,572	115	60
Mississippi	14,635	11,708	115	80
Missouri	17,862	14,290	68	68
Montana	16,389	13,111	80	80
Nebraska	16,523	13,218	57	43
Nevada	20,308	16,246	80	80
New Hampshire	18,190	14,552	115	80
New Jersey	21,409	17,127	115	80
New Mexico	16,801	13,441	80	39
New York	18,216	14,573	100	62
North Carolina	16,252	13,002	91	73
North Dakota	16,008	12,806	115	115

TABLE 2.—ESTIMATED INCOME ELIGIBILITY LEVELS FOR TITLE XX SERVICES FOR A FAMILY OF FOUR PERSONS BY STATE (FISCAL YEAR 1980)—Continued

State	1980 median [1] income	Provision of State title XX State plan—fiscal year 1980		
		80 percent of median income	Maximum income level (percentage of median income)	Most or all services available to this income level (percent)
Ohio	19,195	15,356	80	80
Oklahoma	17,144	13,715	56	56
Oregon	19,771	15,817	115	115
Pennsylvania	18,348	14,678	115	50
Rhode Island	17,910	14,328	75	40
South Carolina	16,573	13,258	80	80
South Dakota	15,733	12,586	115	115
Tennessee	15,677	12,542	115	70
Texas	18,930	15,144	70	70
Utah	18,250	14,600	115	67
Vermont	16,381	13,105	79	65
Virginia	19,244	15,395	70	50
Washington	20,207	16,166	80	80
West Virginia	16,793	13,434	115	80
Wisconsin	20,109	16,087	70	70
Wyoming	20,755	16,604	50	50

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[1] The median income for a family of four in the 50 States and the District of Columbia, applicable to the period October 1, 1979, through September 30, 1980, was $18,723.

[2] Universal.

In fiscal year 1979, 27 percent of those receiving title XX services were AFDC recipients; 22 percent were SSI recipients; 5 percent were medicaid recipients who were not AFDC or SSI recipients; 12 percent of the recipients received services provided without regard to income or welfare status; and 32 percent were eligible according to income criteria.

TABLE 3.—PERCENTAGE ALLOCATION OF FEDERAL TITLE XX AND STATE MATCHING FUNDS BY RECIPIENTS CATEGORY BY STATE (FISCAL YEAR 1979)

State	Percent AFDC	Percent income eligibles	Percent medicaid	Percent without regard to income	Percent SSI aged	Percent SSI blind and disabled
All States	27	32	5	14	10	12
Alabama	31	46	1	5	6	10
Alaska	0	0	0	100	0	0
Arizona	10	52	0	24	4	11
Arkansas	10	56	11	3	5	14
California	25	22	2	7	24	21
Colorado	25	43	(1)	9	10	13
Connecticut	26	47	15	8	2	2
Delaware	47	22	0	20	5	6
District of Columbia	55	7	13	5	9	11
Florida	16	53	3	18	5	5
Georgia	17	33	1	7	10	31
Hawaii	35	31	11	7	7	9
Idaho	21	7	1	61	6	5
Illinois	27	33	2	29	3	6
Indiana	21	26	1	47	(1)	4
Iowa	16	28	18	10	4	24
Kansas	29	36	10	11	2	12
Kentucky	28	46	8	4	4	11
Louisiana	43	7	(1)	19	20	10
Maine	21	43	4	10	5	17
Maryland						
Massachusetts	31	24	5	20	12	9
Michigan	43	12	8	6	12	20
Minnesota	29	31	11	8	3	17
Mississippi	21	52	3	4	6	13
Missouri	14	32	0	43	6	5
Montana	12	18	4	18	5	43
Nebraska	18	35	0	8	8	32
Nevada	23	28	14	14	8	14
New Hampshire	19	46	10	10	3	11
New Jersey	37	26	5	24	3	4
New Mexico	16	28	0	29	12	14
New York	42	28	4	20	4	2
North Carolina	25	33	9	4	12	17
North Dakota	11	40	3	15	7	22
Ohio	26	48	3	9	2	12
Oklahoma	29	31	(1)	35	3	2

TABLE 3.—PERCENTAGE ALLOCATION OF FEDERAL TITLE XX AND STATE MATCHING FUNDS BY RECIPIENTS CATEGORY BY STATE (FISCAL YEAR 1979)—Continued

State	Percent AFDC	Percent income eligibles	Percent medicaid	Percent without regard to income	Percent SSI aged	Percent SSI blind and disabled
Oregon	23	17	18	13	8	21
Pennsylvania	31	59	1	3	1	5
Rhode Island	51	6	24	2	7	9
South Carolina	16	56	8	5	5	9
South Dakota	30	31	6	9	8	16
Tennessee	14	31	2	35	5	13
Texas	17	36	2	16	23	8
Utah	27	28	24	10	2	9
Vermont	32	20	12	20	6	10
Virginia	29	21	15	14	9	11
Washington	18	44	3	13	13	9
West Virginia	37	31	5	5	11	12
Wisconsin	33	30	8	6	8	14
Wyoming	26	18	1	46	4	5

[1] Less than one-half percent.

TYPES OF SOCIAL SERVICES PROVIDED UNDER TITLE XX

Day care services for children consumed about 21 percent of all Federal funds spent for title XX in fiscal year 1979. Home based services, such as homemaker/chore services, accounted for about 16 percent of all Federal funds in 1979. Protective services and other services related to child foster care accounted for another 16 percent. With few exceptions, expenditures for a particular service vary widely among the States. Table 4 provides a detailed breakdown of the types of services provided under title XX. For fiscal year 1979, the percentage of each service spent by recipient category is also shown in Table 4.

Homemaker/chore services includes, for example, an individual trained by the local welfare agency to go into the home of an aged or disabled individual a few hours a week to assist with meal preparation, cleaning, and personal care to enable them to remain in their own home or apartment instead of having to live in an institution.

Protective services for children includes the activities of a child-welfare caseworker who is responsible for investigating and managing cases of child abuse or neglect. For example, a caseworker may visit a home after reports are received from a doctor or a neighbor of possible child abuse and determine whether the home situation warrants recommending removal of the children and placement in foster care.

In another situation, the caseworker will have to determine whether the child care training provided by a private family service agency to a teenage mother enables her to care for her two children who currently are in foster care.

In another situation, the caseworker may have to arrange for an emergency caretaker to stay with some children in their own home instead of being placed in an institution while their mother is in a hospital receiving emergency medical care.

Although title XX provides discretion to States to define services to accomplish the goals of the title XX program, there are certain limitations. Title XX funds may not be used:

(1) for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than minor remodeling) of any building or other facility;

(2) for the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral but subordinate part of a social service, or temporary emergency shelter provided as a protective service);

(3) for payment of the wages of any individual as a social service (other than payment of the wages of welfare recipients employed in the provision of child day care services);

(4) for the provision of medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug dependent individual) unless it is an integral but subordinate part of a social service;

(5) for social services (except services to an alcoholic or drug dependent individual or rehabilitation services) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution;

(6) for the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income;

(7) for any child day care services unless such services meet applicable standards of State and local law; or

(8) for the provision of cash payments as a service (except as otherwise provided in (2) above).

The Secretary of the Department of Health and Human Services may grant a State's request to waive the prohibition against the use of title XX funds for medical services or against the purchase or improvement of land or buildings where it is found that extraordinary circumstances justify such uses.

TABLE 4.—PERCENTAGE DISTRIBUTION OF TITLE XX DOLLARS SPENT ON EACH SERVICE AND PERCENTAGE FOR EACH CASH SERVICE SPENT BY RECIPIENT CATEGORY—OCTOBER 1978 TO SEPTEMBER 1979

Services	Percentage of total dollars spent for this service	Percent AFDC	Percent income eligibles	Percent SSI	Percent medicaid	Percent without regard to income
Adoption services	0.80	44	26	1	14	14
Case management	1.94	33	27	13	4	23
Chore services	5.00	3	23	64	5	(1)
Counselling services	7.20	28	41	11	7	13
Day care—adults	1.51	18	37	39	5	1
Day care—children	21.08	45	51	1	1	2
Diagnostic and evaluative services	.51	23	49	16	4	8
Education and training services	5.14	16	38	38	5	3
Emergency services	.54	35	22	6	3	34
Employment related medical services	.34	89	11	0	0	0
Employment services	2.71	20	41	35	3	1
Family planning	2.49	10	68	(1)	2	20
Foster care—adults	.54	8	12	61	10	10
Foster care—children	5.60	41	26	4	17	12
Health-related services	2.77	39	20	30	8	3
Home-delivered congregate meals	.57	1	56	40	2	2
Homemaker services	11.20	7	19	70	3	2
Home management	1.17	43	24	23	8	4
Housing improvement	.88	61	19	14	2	3
Legal services	1.08	40	44	5	3	9
Placement services	2.60	32	20	18	17	13
Protective services—adults	3.11	19	8	24	3	46
Protective services—children	10.05	23	6	1	1	69
Recreational services	.23	33	43	16	5	3
Residential care and treatment	4.86	30	33	14	11	12
Services to unmarried parents	.17	36	44	2	6	13
Socialization services	1.20	26	33	20	5	16
Special services—alcohol and drug	.40	4	77	5	2	12
Special services—blind	.14	1	37	58	4	(1)
Special services—children and youth	.48	27	36	1	1	34
Special services—disabled	1.08	5	48	43	3	1
Special services—juvenile delinquents	.22	34	38	1	13	14
Transitional services	.11	2	64	16	6	12
Transportation	1.91	25	34	34	5	2
Vocational rehabilitation	.17	93	7	0	0	0
WIN medical examinations	.26	97	3	0	0	0
Other	.74	8	33	25	3	32
Total/average	100.00	27	32	22	5	14

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[1] Less than 0.5 percent.

Section 13. Child Welfare, Foster Care and Adoption Assistance Program—Title IV, Parts B and E

Although child protective services in America date back to the 19th century, the first protective services were provided by voluntary, private organizations. The passage of the 1935 Social Security Act was an impetus for greater State involvement in public child protective services. During the following two decades, 35 States enacted statutes assigning responsibility for the protection and care of neglected children to State agencies. The development of public protective services also was accelerated by the 1962 amendments to the Social Security Act which required that each State extend child welfare services to all political jurisdictions within the State, and which made aid to families with dependent children (AFDC) foster care funds and services available to abused and neglected children from families who were receiving, or were potentially eligible for AFDC. The 1974 amendments to the Social Security Act, which established the title XX social services program, required that each State provide child protective services on a statewide basis.

There are an estimated 500,000 children in the United States who are in foster care homes or institutions. About 20 percent of this total, or 102,000 children, received support under the aid to families with dependent children program.

The Federal share of support for AFDC-foster care children was $208 million in fiscal year 1978 and $327 million in fiscal year 1981. In most States the Federal matching rate for foster care maintenance payments is the same as the medicaid matching rate for the State. The average Federal share for all States is about 54 percent.

Family foster care accounts for approximately 55 percent of Federal expenditures (75 percent of placements); foster care group homes and other institutions account for 45 percent of Federal expenditures (but only 25 percent of placements). In December 1980, average costs per child in foster family homes and institutions combined was $378. Analysed by type of placements, these costs averaged $261 in foster homes, and $1,161 in child care institutions.

In hearings on child welfare services program and foster care program in 1977 and in 1979, the Subcommittee on Public Assistance and Unemployment Compensation received extensive testimony on the need to improve the quality of services available to families and children. The testimony made clear that there was a need not only for improved Federal funding, but also for new requirements to assure that State programs include alternatives to foster care, and protections for children who, nonetheless, must be placed in foster care.

TABLE 1.—AID TO FAMILIES WITH DEPENDENT CHILDREN, FOSTER CARE SEGMENT: RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1980 (INCLUDING NONMEDICAL VENDOR PAYMENTS)

State	Foster care		
	Total children	Total amount (thousands)	Average per child (monthly amount)
Total	102,218	$38,674,089	$378
Alabama	1,478	189,965	129
Alaska	52	41,163	792
Arizona	268	79,416	296
Arkansas	293	48,776	166
California	14,798	7,580,003	512
Colorado [1]	582	117,718	202
Connecticut [1]	2,177	455,021	209
Delaware	305	62,741	206
District of Columbia [1]	893	258,012	289
Florida	1,099	204,706	186
Georgia [1]	1,495	244,213	163
Guam	16	2,140	(2)
Hawaii	19	2,547	(2)
Idaho	210	44,808	213
Illinois [1]	4,530	811,500	179
Indiana	1,726	153,660	89
Iowa	661	156,545	237
Kansas	1,774	583,168	329
Kentucky	1,254	205,540	164
Louisiana [1]	1,721	399,131	232
Maine	1,170	273,101	233
Maryland	2,346	523,759	223
Massachusetts	1,996	644,563	323
Michigan	5,539	2,641,623	477
Minnesota	1,687	476,088	282
Mississippi	894	107,339	120
Missouri [1]	2,171	215,591	99
Montana	259	103,928	401
Nebraska	553	149,947	271
Nevada	254	75,758	298
New Hampshire	504	76,835	152
New Jersey	1,254	220,602	176
New Mexico	91	14,839	163
New York	20,305	14,470,529	713
North Carolina	1,741	239,329	134

TABLE 1.—AID TO FAMILIES WITH DEPENDENT CHILDREN, FOSTER CARE SEGMENT: RECIPIENTS OF CASH PAYMENTS AND AMOUNT OF PAYMENTS, BY STATE, DECEMBER 1980 (INCLUDING NONMEDICAL VENDOR PAYMENTS)—Continued

State	Foster care		
	Total children	Total amount (thousands)	Average per child (monthly amount)
North Dakota	360	88,212	245
Ohio	3,664	418,191	114
Oklahoma	710	134,102	189
Oregon	1,521	463,519	305
Pennsylvania [1]	6,337	2,118,894	332
Puerto Rico	0	0	([2])
Rhode Island	423	126,341	299
South Carolina	528	70,150	133
South Dakota	387	79,501	205
Tennessee	1,835	246,960	135
Texas	2,784	785,060	282
Utah	243	53,461	220
Vermont [1]	315	50,000	159
Virgin Islands	0	0	([2])
Virginia	2,459	424,533	173
Washington	833	216,273	260
West Virginia	537	131,353	245
Wisconsin	3,082	1,378,277	447
Wyoming	45	14,658	([2])

[1] Estimated date.

[2] Not computed on base of fewer than 50 cases or children.

IMPLEMENTATION OF CHILD WELFARE AND FOSTER CARE REFORMS

The Adoption Assistance and Child Welfare Act of 1980, Public Law 96-272, enacted on June 17, 1980, authorizes a modified foster care program and a new adoption assistance program under a new part E of title IV of the Social Security Act. In the new part E and in the modifications made in the title IV-B child welfare services program, a comprehensive set of services, procedures, and safeguards are described which all States are to implement within the next several years. Increases in Federal funds for title IV-B child welfare services are structured with the intent of both providing States with some additional resources to assist them in implementing the described services, procedures, and safeguards and in providing States financial incentives to implement them as quickly as possible.

As part of the initial effort to improve the situation for children currently in foster care, the new law provides for States to conduct an inventory of all children who have already been in foster care for over 6 months to determine whether current placement is appropriate and the services needed. In addition, each State is to implement a foster care information system to insure that information on the foster children's characteristics and the goals of the placement of each child is readily available to caseworkers and administrators.

The new law provides that a case plan is to be developed for each foster care child describing the services that will be provided to the family and child to improve the conditions in the home and meet the treatment needs of the child while in foster care. It also requires that there be an independent administrative review of the case every 6 months to determine the continuing appropriateness of the services, to determine the continuing necessity for placement in care, and to set a date by which the child can be returned home, freed for adoption or otherwise permanently placed. There must also be a mandatory dispositional hearing within 18 months of the original placement of the child in foster care. This hearing must be held in a family or juvenile court, or other court of competent jurisdiction or by an administrative body appointed by a court.

In cases where preventive services cannot alleviate the need for out of home placement of a child, the new case plan and case review system is to ensure that a child is to be placed in the least restrictive setting, and in reasonable proximity to his family to increase the chances of the child being returned to his home.

States are to provide family reunification services for foster care children and their families to alleviate the conditions necessitating placement and to enable the child to return home as quickly as possible.

State and local governments are also to provide such preventive services as family counseling, 24-hour crisis intervention for families, and emergency caretakers to provide emergency child care in the home as means to prevent the unnecessary removal of children or extended placement out of the home.

FINANCIAL INCENTIVES TO STATES TO IMPLEMENT IMPROVED CHILD WELFARE SERVICES AND PROCEDURE

There are a number of financial incentives to States to implement the new child welfare foster care system including the following:

First, the new law provides for the first time a temporary State-by-State ceiling on Federal AFDC funding for foster care in effect for fiscal years 1981–84. This ceiling is intended to create financial incentives to States to implement procedures to reduce unnecessary placement or extended placement in foster care. The Federal ceiling on foster care funds is only in effect when title IV–B child welfare services appropriations reach certain specified levels: $163.5 million for fiscal year 1981; $220 million for fiscal year 1982; and $266 million for fiscal years 1983 and 1984. In addition, the funding levels for fiscal years 1982 to 1984 must be provided on an advance basis. The foster care ceiling was in effect for fiscal year

1981. However, the foster care ceiling is not in effect for fiscal year 1982 given the funding level in the continuing appropriation resolution enacted in December 1981. Table 2 shows the State-by-State allocation of Federal title IV–B child welfare service funds for fiscal years 1981 and 1982.

A State would have the following options in determining the ceiling most favorable to them: (1) the State's fiscal year 1978 Federal foster care funds increased by 33⅓ percent for fiscal year 1981, and increased by 10 percent thereafter; (2) the State's share of $100 million relative to its population under 18; or (3) for those States with foster care caseloads below the national average, the State's funds increased by a percent equal to its caseload growth but not more than 10 percent, plus the increase provided in (1). (The continuing resolution appropriation for fiscal year 1982, enacted in December 1981, and effective through March 1982, is $156,326,000. This represents a 4-percent reduction from the previous year.)

Second, while a State could receive its initial share of $141 million of title IV–B appropriations without conducting the inventory, without having an operational information system and without case planning, case review, and family reunification services, a State could not receive its share of title IV–B appropriations in excess of $141 million unless it had in place such procedures and services. In addition, when title IV–B appropriations reach the authorized maximum of $266 million for 2 consecutive years, a State could continue to receive additional funding over its share of the $56.5 million only if it had also implemented a preventive services program designed to prevent the need for removing children from their natural homes.

TABLE 2.—TITLE IV–B CHILD WELFARE SERVICES: FEDERAL ALLOCATIONS BY STATES, FISCAL YEARS 1981 AND 1982

[In thousands of dollars]

State	Fiscal year—	
	1981	1982
United States	163,550	[1]156,326
Alabama	3,408	3,277
Alaska	283	259
Arizona	2,015	2,004
Arkansas	2,017	1,929
California	13,318	12,940
Colorado	1,954	1,907
Connecticut	1,785	169
Delaware	435	436
District of Columbia	382	347
Florida	5,716	5,741
Georgia	4,446	4,368
Hawaii	659	666

TABLE 2.—TITLE IV–B CHILD WELFARE SERVICES: FEDERAL ALLOCATIONS BY STATES, FISCAL YEARS 1981 AND 1982—Continued

[In thousands of dollars]

State	Fiscal year—	
	1981	1982
Idaho	864	851
Illinois	6,989	6,592
Indiana	4,091	3,885
Iowa	2,138	2,002
Kansas	1,626	1,552
Kentucky	3,029	2,964
Louisiana	3,777	3,572
Maine	994	953
Maryland	2,669	2,573
Massachusetts	3,699	3,549
Michigan	6,437	5,915
Minnesota	2,949	2,782
Mississippi	2,627	2,482
Missouri	3,590	3,433
Montana	716	668
Nebraska	1,204	1,146
Nevada	493	469
New Hampshire	735	703
New Jersey	4,288	4,097
New Mexico	1,222	1,162
New York	10,758	10,437
North Carolina	4,651	4,563
North Dakota	103	555
Ohio	7,680	7,212
Oklahoma	2,281	2,168
Oregon	1,764	1,689
Pennsylvania	7,748	7,505
Rhode Island	701	669
South Carolina	2,747	2,694
South Dakota	661	625
Tennessee	3,700	3,575
Texas	10,321	10,083
Utah	1,455	1,480
Vermont	475	469
Virginia	3,689	3,589
Washington	2,494	2,481
West Virginia	1,575	1,549
Wisconsin	3,499	3,345

TABLE 2.—TITLE IV-B CHILD WELFARE SERVICES: FEDERAL ALLOCATIONS BY STATES, FISCAL YEARS 1981 AND 1982—Continued

[In thousands of dollars]

State	Fiscal year—	
	1981	1982
Wyoming	374	369
Guam	252	224
Puerto Rico	5,258	3,847
Virgin Islands	225	178
Northern Marianas	586	97

[1] Allotments based on amount in continuing resolution appropriation enacted in December 1981.

Third, States which implement the child welfare/foster care services and procedures will be able to claim through September 30, 1983, Federal foster care matching funds for children who are placed in foster care under a voluntary placement agreement between the agency and parents. Under the old law eligibility for Federal foster care funds was limited to those children removed from the home as a result of a judicial determination that continuance in the home would be contrary to the child's welfare.

Fourth, States gain flexibility in the use of Federal foster care funds under the foster care ceiling if they have implemented the child welfare/foster care services and procedures. Federal foster care matching funds made available under the ceiling which are not used for foster care maintenance could also be used for IV-B child welfare services.

NEW ADOPTION SUBSIDY PROGRAM

The new law requires all States to establish an adoption assistance program under the new title IV-E no later than October 1, 1982. Federal matching funds (at the same rate as applied to medicaid in the State) are available for a child with "special needs" placed in adoption who was eligible for SSI, AFDC or AFDC foster care, including voluntarily placed children. "Special needs" children includes those, for example, who are difficult to place because of ethnic background, age, membership in a minority or sibling group or the presence of physical, mental or emotional handicaps. Children receiving adoption assistance payments would also be eligible for medicaid.

As of late 1979, 44 States and the District of Columbia had laws governing adoption programs, including subsidies for parents who adopt children with special needs, but some of these laws had not been implemented. Several States, including California, Illinois, Maryland, Minnesota, and New York have conducted adoption subsidy programs for about 12 years.

PART 2

TRUST FUND LEGISLATION WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Airport and Airway Trust Fund
Section 2. Deep Seabed Revenue Sharing Trust Fund
Section 3. Highway Trust Fund
Section 4. Inland Waterways Trust Fund
Section 5. Land and Water Conservation Fund
Section 6. National Recreational Boating Safety and Facilities Improvement Fund
Section 7. Reforestation Trust Fund
Section 8. Superfunds
    (A) Hazardous Substance Response Trust Fund
    (B) Post-closure Liability Trust Fund
Section 9. Tax Court Judges Survivors Annuity Fund
Section 10. Black Lung Disability Trust Fund
Section 11. Railroad Retirement System

Section 1. Airport and Airway Trust Fund

LEGISLATIVE HISTORY

1970 Act and 1971 Amendment

The Airport and Airway Trust Fund was established as of July 1, 1970, by the Airport and Airway Revenue Act of 1970 (Title II of the Airport and Airway Development Act of 1970, Public Law 91-258). The 1970 Act provided that new and increased aviation user taxes were to be deposited into the Trust Fund and, with interest earned on the deposits, were to be available to meet specified airport and airway obligations of the United States incurred under Title I of the 1970 Act, as it was in effect on the date of enactment. Amounts in the Trust Fund were available for making specified expenditures, as provided in appropriations acts, until July 1, 1980.

The 1970 Act authorized Trust Fund expenditures for the maintenance and operation of air navigation facilities, qualified airport planning and construction purposes, airway facilities and equipment, research and development, safety, and related departmental administrative expenses. However, a 1971 amendment (Public Law 92-174) to Title I of the 1970 Act removed the authority for spending Trust Fund monies for maintenance and operation of the airway system. This amendment also limited the authority for meeting administrative costs from the Trust Fund to only such administrative expenses related to the remaining authorized purposes.

1973 Amendment

A 1973 amendment (Public Law 93-44) to Title I of the 1970 Act increased the authorization levels for airport grants for fiscal years 1974 and 1975, increased the Federal share for certain airport grants and safety and security equipment costs, and amended the definition of airport development to specifically include security equipment required under regulations of the Department of Transportation.

1976 Amendment

The Airport and Airway Development Act Amendments of 1976 (Public Law 94-353) further amended Title I of the 1970 Act to include several additional expenditure categories to be authorized from the Trust Fund. The new expenditure categories were: snow removal equipment; noise suppressing equipment; construction of physical barriers and landscaping for the purpose of reducing the effect of aircraft noise in areas adjacent to public airports; acquisition of land or property interest for airport noise control purposes; airport terminal development (the public, nonrevenue-producing areas, including baggage facilities and passenger moving equipment); and specified amounts for maintenance of airway facilities. Thus, the 1971 prohibition against authorizing airway operating and maintenance costs from the Trust Fund was partially removed by the 1976 amendment. In addition, the 1976 amendment provided authorization levels for airport grants and other existing trust fund expenditure programs through fiscal year 1980, and increased the Federal share for certain airport grants for fiscal years 1977 and 1978.

The Committee on Ways and Means offered a Committee amendment as Title III to the 1976 Act Amendments which amended the Trust Fund language to conform it to the authorization provisions approved by the Committee on Public Works and Transportation and to permit expenditures from the Fund to be made until October 1, 1980 (instead of July 1, 1980). The Committee on Ways and Means initially declined to allow expenditures from the Trust Fund for terminal facilities; however, this expenditure purpose was eventually approved by a separate vote of the House.

1979 Amendment

The Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) further amended Title I of the 1970 Act to authorize Trust Fund appropriations for airport noise compatability planning programs and airport noise compatability grants and to increase the airport development authorization amounts for fiscal year 1980. In addition, the Act amended the Trust Fund language (section 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742 (f)(1)(A)) to conform to the 1979 amendments.

1980 Amendment

In 1980, Public Law 96-298 was enacted to extend the aviation excise taxes and require the deposit of the revenues from these taxes into the Trust Fund from July 1, 1980 until October 1, 1980. In 1980, the Committee on Ways and Means also reported the Airport and Airway Revenue Act of 1980 as a Committee amendment, to be offered as Title II to H.R. 6721, in order to extend aviation excise taxes and the Trust Fund until October 1, 1985. However, the bill was not considered by the House prior to the adjournment of the 96th Congress. As a result, expenditures from the Trust Fund were not authorized after September 30, 1980; further, on October 1 many of the aviation excise taxes automatically expired or were reduced, and the deposit of the remaining aviation excise tax revenues into the Trust Fund was terminated.

1981 Amendment

In 1981, the Committee on Ways and Means approved a technical and conforming amendment to the Trust Fund provisions in order to allow expenditures to be made from the Trust Fund through September 30, 1981. The Committee amendment was included in H.R. 4182, the fiscal year 1981 Airport Development Authorization Act, which was approved by the House in July 1981. The provisions of H.R. 4182 were later enacted as part of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35.

Also in 1981, the House Committee on Public Works and Transportation approved H.R. 2643 which establishes funding levels for airport and airway programs for fiscal years 1982 and 1983. At the adjournment of the first session of the 97th Congress, a financing title for the bill was pending in the Committee on Ways and Means.

FINANCING MECHANISM

The Airport and Airway Trust Fund is financed by several aviation excise taxes. As noted above, a number of these taxes expired or were automatically reduced on October 1, 1980, and presently the revenues from the remaining excise taxes are deposited into the general fund or the Highway Trust Fund (the taxes for fuel, tires, and tubes). The following table sets forth the taxes and rates under prior law and those presently in effect:

TABLE 1.—SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES

Tax (and code section)	Prior law (pre-October 1, 1980) rate	Present law rate
Air passenger ticket tax (sec. 4261(a), (b) and (d))[1].	8 percent	5 percent.
Air freight waybill tax (sec. 4271)	5 percent	0
International departure tax (sec. 4261(c)).	$3 per person	0
Fuels tax for noncommercial (general) aviation (sec. 4041(c))[2].	7 cents per gallon	[3]4 cents per gallon.
Aircraft use tax (sec. 4491)[2]	([4])	0
Aircraft tires tax (sec. 4071)	5 cents per pound	4.875 cents per pound.
Aircraft tubes tax (sec. 4071)	10 cents per pound	10 cents per pound.

[1] Air transportation between the United States and a foreign station which is not more than 225 miles from the nearest point in the continental United States, as well as between two such foreign stations, generally is subject to the 5-percent tax where payment for the travel is made in the United States. This tax does not apply to transportation between the United States and other foreign stations where payment is made outside the United States, nor does it apply to the U.S. portions of certain uninterrupted international air transportation (where the layover does not exceed 6 hours). Also, the air passenger ticket tax does not apply to the portion of flights to or from Alaska and Hawaii which are not made over the United States (Code sec. 4262).

[2] The tax did not apply to aircraft owned by a tax-exempt museum operated exclusively for the procurement, care, and exhibition of World War II aircraft (defined in sec. 4041(h)).

[3] The 7 cents a gallon tax on jet fuel expired on October 1, 1980; the 4 cents a gallon tax presently applies only to aviation gasoline.

[4] An annual tax of two parts: (1) a $25 annual per plane tax, plus (2) a weight tax of 3½ cents per pound for turbine-power (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of "maximum certificated takeoff weight." However, for the period July 1, 1980-September 30, 1980, the use tax was one-fourth the applicable annual rates.

The passenger ticket tax applies to air passenger transportation within the United States, while the $3 per passenger international departure tax applied to flights abroad beginning in the United States and to flights to and from Alaska and Hawaii. The freight waybill tax applied to the transportation of property by air which began and ended in the U.S. Aircraft not subject to these passenger or freight taxes were subject to the fuel and use taxes noted above; exemptions were and are provided for aviation fuels used on farms or used for farming purposes or by a state or local government or a nonprofit educational organization.

EXPENDITURE PURPOSES

The present Trust Fund statute authorizes obligations incurred under Title I of the 1970 Act, under the 1976 Act Amendments, under the 1979 Act amendments, or under the Fiscal Year 1981 Authorization Act, as such Acts were in effect on the date of enactment of the 1981 Act.

The Airport and Airway Trust Fund expenditure programs authorized under present law are generally as follows:

1. *Airport Development Aid Program (ADAP)*—
   - (a) *Airport planning*—grants to planning agencies for airport system planning and public agencies for airport master planning; also, airport noise compatibility planning grants for air carrier airports eligible for terminal development costs.
   - (b) *Airport construction*—construction, improvement or repair of a public airport (includes removal of airport hazards and construction of physical barriers and landscaping to diminish noise).
   - (c) *Airport terminal facilities*—Non-revenue-producing public-use areas which are directly related to movement of passengers and baggage at certificated air carrier airports having required safety and security equipment (include baggage facilities and passenger-moving equipment); does not include costs of construction of public parking facility for passenger automobiles or costs of construction, alteration, or repair of a hanger or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. These facilities include multimodal terminal development and bond retirement for certain airports.
   - (d) *Land acquisition*—Includes land or property interests for airport noise control purposes.
   - (e) *Airport-related equipment*—Airport security equipment required by DOT regulations, snow removal equipment, noise suppressing equipment, navigation aids, and safety equipment required for airport certification.
   - (f) *Airport noise compatibility programs*—Includes soundproofing of public buildings; local governmental units are eligible for project grants as well as airports.
2. *Facilities and Equipment Program (F&E)*—Costs of acquiring, establishing, and improving air navigation facilities.
3. *Research, Engineering, Development, and Demonstration Program (R&D)*—Projects in connection with FAA research and development activities.
4. *Operations and Maintenance Programs (O&M)*—Flight check and maintenance of air navigation facilities; services provided under international agreements relating to the joint financing of air navigation services assessed against the U.S. Government.
5. *Other costs*—Certain airline costs of international passenger security screening facilities.

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund.

The Committee on Public Works and Transportation has jurisdiction over airport and airway development and improvement programs.

The statutory provisions establishing the Airport and Airway Trust Fund and governing its operations are located at 49 U.S.C. 1742.

FINANCIAL STATUS OF TRUST FUND

Table 2 is based on the Department of Treasury's Tenth Annual Report on the Trust Fund (September 30, 1980), and it sets forth the Fund's receipts and outlays for fiscal year 1971 through 1980. Estimates for future fiscal years are dependent upon legislation yet to be enacted, and thus are not included here.

Table 2 also contains cash balances in the Trust Fund at the end of each fiscal year since 1971. However, it must be noted that large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations and unexpended appropriations. Table 3 sets forth the balances remaining in the Fund after these commitments have been taken into account, called the uncommitted balances, for fiscal years 1977 through 1980.

TABLE 2.—STATUS OF AIRPORT AND AIRWAY TRUST FUND, ACTUAL THROUGH SEPTEMBER 30, 1980

[In millions of dollars]

Fiscal year	Receipts				Outlays	Cash balance in the fund [3]
	Excise taxes,[1] net	Interest on investments	Other [2]	Total		
1971	563		621	1,184	287	897
1972	649		902	1,551	1,389	1,058
1973	758		69	828	699	1,187
1974	840	28		868	521	1,534
1975	962	96		1,058	579	2,013
1976	938	146		1,084	547	2,550
T.Q.	277	1		278	92	2,736
1977	1,191	194		1,384	853	3,268
1978	1,326	219		1,545	1,115	3,698
1979	1,526	282		1,809	1,114	4,392
1980	1,874	400		2,274	2,224	5,442

[1] Excise taxes based on existing law through September 30, 1980.

[2] Amounts appropriated from the general fund and unexpended balances of certain general fund accounts transferred to the Trust Fund.

[3] Large portions of the unexpended balance are committed to liquidate outstanding unfunded obligations (contract authority) and to liquidate unexpended appropriations. Also, funds equivalent to cumulative shortfalls below minimum annual obligation levels must be reserved for future expenditure.

Source: "Tenth Annual Report on the Financial Condition and Results of Operations of the Airport and Airway Trust Fund, September 30, 1980," Department of Treasury.

TABLE 3.—AIRPORT AND AIRWAY TRUST FUND UNCOMMITTED BALANCES—FISCAL YEARS 1977 THROUGH 1980

Uncommitted balance end of fiscal year	Millions of dollars
1977	1,709
1978	2,182
1979	2,742
1980	3,686

Section 2. Deep Seabed Revenue Sharing Trust Fund

LEGISLATIVE HISTORY

The Deep Seabed Revenue Sharing Trust Fund was established in 1979 by Title IX of the Deep Seabed Hard Mineral Resources Act (Public Law 96-223). The purpose of the Trust Fund is to accelerate the program of environmental assessment of exploration for and commercial recovery of hard mineral resources of the deep seabed and assure that such exploration and recovery activities are conducted in a manner which will encourage the conservation of such resources, protect the quality of the environment, and promote the safety of life and property at sea. An additional purpose is to encourage continued development of deep seabed mining technology.

FINANCING MECHANISM

The Deep Seabed Revenue Sharing Trust Fund is funded by amounts determined by the Secretary of the Treasury to be equivalent to the amount of the excise taxes received in the Treasury under the Deep Seabed Hard Mineral Removal Tax Act of 1979. The excise tax, imposed under Internal Revenue Code section 4495, is 3.75 percent of the imputed value of hard mineral resources removed from the deep seabed. The tax became effective on January 1, 1980, and terminates after the earlier of the date on which an international deep seabed treaty takes effect with respect to the United States or on June 29, 1990.

A mining company can elect to have the application of the excise tax suspended with respect to one or more commercially recoverable metals or minerals contained in the nodules removed from the deep seabed if the mining company does not intend to process, use commercially, or sell that metal or mineral within one year after the date of extraction. If a mining company elects to suspend the tax on a mineral and later processes, uses, or sells that mineral, then the mining company is liable for the excise tax and interest on the deferred amount. The interest is to be paid into the Trust Fund and will be treated like other amounts in the Trust Fund. If the additional tax is paid after substantial disposition of Trust Fund assets by Congress, the additional tax is to be disposed of in a manner provided in the legislation making the substantial disposition or in subsequent acts.

EXPENDITURES PURPOSES

Appropriations have been authorized from the Trust Fund for making contributions which may be required pursuant to an international deep seabed treaty which may become effective with respect to the United States on or before June 28, 1990. Trust Fund amounts may be appropriated for making contributions required under such a treaty for the purpose of sharing the revenue from deep seabed mining among nations of the world.

In the event that an international deep seabed treaty does not become effective with respect to the United States on or before June 28, 1990, amounts in the Trust Fund will be available for such purposes as Congress may provide by law. Thus, if an international deep seabed treaty is not in effect with respect to the United States prior to June 29, 1990, amounts in the Trust Fund will be disposed of only in accordance with an act of Congress.

MISCELLANEOUS

The Secretary of the Treasury is required to submit an annual report to the Congress with respect to the Deep Seabed Revenue Sharing Trust Fund beginning with the fiscal year ending September 30, 1980.

The Statutory provisions establishing the Deep Seabed Revenue Sharing Trust Fund and governing its operation are located at 30 U.S.C. 1472.

FINANCIAL STATUS OF FUND

Since no treaty is yet in effect, there have been no appropriations from the Fund. No revenues are expected from the excise tax until the late 1980's. At that time it is estimated that the tax will raise a maximum of $5 million in annual net revenues (gross revenue less income tax lost because of deductibility of the tax).

Section 3. Highway Trust Fund

LEGISLATIVE HISTORY

Development of the Trust Fund and Highway Tax Revenue Sources

The Highway Trust Fund was established in 1956 (Public Law 84-627) for a 16-year period to provide a specific source of financing for the new Interstate System and continuation of other Federal aid highway programs. The other highway aid programs previously had been financed through the general fund. The 1956 legislation increased certain highway user taxes, primarily the taxes on motor fuels (from 2 cents a gallon to 3 cents a gallon) and imposed a new highway user tax on heavy highway motor vehicles. Initially, the Trust Fund was financed by the proceeds of the following highway user excise taxes: the manufacturers' taxes on gasoline for highway use, and tires, tubes, and tread rubber for highway use; a portion of the manufacturers' tax on trucks and buses (20 percent for 1957 and 50 percent thereafter, until changed to 100 percent by 1961 legislation); the tax on use of heavy highway motor vehicles; and the retailers' tax on diesel and special motor fuels for highway use.[1]

Section 209(b) of the Highway Revenue Act of 1956 included a declaration of congressional policy that (1) if it appears that the total receipts of the trust fund will be less than the total expenditures from the Trust Fund, or (2) if it appears that the distribution of the tax burden among the various classes of highway users or other beneficiaries of the highways is not equitable, then Congress is to enact legislation to bring about a balance of total Trust Fund receipts and expenditures or to make an equitable distribution of the tax burden. In addition, the 1956 Act provided for a 3-year highway cost allocation study (later extended for 2 additional years) to determine the fair distribution of highway-related user taxes among the various users.

Section 209(g) of the Highway Revenue Act of 1956 also contained a provision—the "Byrd Amendment"—to prevent the Trust Fund from reaching a deficit position. In general, this provision requires that if Trust Fund balances and estimated future receipts will be inadequate to cover obligations as they become due, a reduction of the Interstate System authorization in an amount sufficient to eliminate the difference would be required.

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[1] The Airport and Airway Revenue Act of 1970 created the Airport and Airway Trust Fund and deposited into it the manufactuers' and retailers' taxes on aviation gasoline, the manufacturers' taxes on tires and tubes of the types used on aircraft, and the retailers taxes on aviation fuel, as well as the taxes on transportation by air and on use of civil aircraft.

The Land and Water Conservation Act of 1965 created the Land and Water Conservation Fund and required that the taxes on special fuels and gasoline used as motorboat fuel be transferred to that fund from the Highway Trust Fund. In addition, P.L. 96-451 transfers up to $20 million per year for fiscal years 1981-1983 of revenues from the motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund.

The manufacturers' excise taxes on lubricating oil for highway use and truck and bus parts were transferred into the Trust Fund as the result of 1966 legislation.

The Revenue Act of 1971 repealed the tax on trucks and buses with gross vehicle weight of 10,000 pounds or less.

The Energy Act of 1978 repealed the manufacturers' tax on buses as well as the excise taxes on bus parts, tires and tubes, tread rubber and lubricating oil.

In 1959, the tax on motor fuels was temporarily increased for 1960 and 1961 from 3 cents a gallon to 4 cents a gallon in order to finance the authorized level of Trust Fund spending. The 4-cent rate was then extended in 1961 for the life of the Trust Fund. The 1961 legislation also increased the tax rates on tires, tubes and tread rubber, doubled the tax on heavy trucks, and transferred the entire 10-percent excise tax on trucks and buses to the Trust Fund (previously, only one-half of this tax went into the Trust Fund).[2] In addition, the 1961 Act extended the Highway Trust Fund for three months, from June 30, 1972, to September 30, 1972, again to provide additional revenues to meet projected highway program costs.

Highway legislation in 1966 also transferred the revenues from the existing manufacturers' excise taxes on lubricating oil and truck and bus parts to the Highway Trust Fund. Thus, with respect to the highway-related excise taxes, only the tax on automobiles did not go into the Trust Fund. (The 7-percent excise tax on automobiles was later repealed by the Revenue Act of 1971.)

Subsequent Extensions of Highway Trust Fund

The Highway Trust Fund and the related highway user taxes have been extended three times since 1961: a 5-year extension in the Federal-Aid Highway Act of 1970 (from September 30, 1972, to September 30, 1977), a 2-year extension in the Federal-Aid Highway Act of 1976 (to September 30, 1979), and a 5-year extension in the Surface Transportation Assistance Act of 1978 (to September 30, 1984). These extensions were added by the Committee on Ways and Means as a separate title to a highway authorization bill of the Committee on Public Works and Transportation and involved only the extensions of existing highway user excise taxes and tax rates.

In the 1978 Act, the operation of the "Byrd Amendment" was modified to require that when anticipated revenues are insufficient to cover expenditures, reductions will be made on a pro rata basis to all apportioned highway funds, rather than to interstate apportionments only (sec. 209(g) of the Highway Revenue Act of 1956). In addition, an exemption from the fuel taxes was provided for fuel used by qualified taxicabs until the end of 1980 (later extended to December 31, 1982). Finally, two studies were required: a cost allocation study was required to be conducted by the Department of Transportation with a final report to Congress by January 15, 1982, and a study of the highway excise tax structure was required to be conducted by the Department of Treasury with a final report to Congress by April 15, 1982.[3]

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[2] The 1961 Act also repealed a scheduled transfer to the Trust Fund of one-half the 10-percent excise tax on automobiles.

[3] All these amendments were contained in Title V, the Highway Revenue Act of 1978, of the 1978 Surface Transportation Assistance Act (P.L. 95-599).

FINANCING MECHANISM

The highway excise taxes deposited into the Highway Trust Fund, as in place under present law and in effect until October 1, 1984, are set forth in the following table.

TABLE 1.—HIGHWAY EXCISE TAX UNDER PRESENT LAW

Tax	Present rate
Gasoline (manufacturers)	4 cents per gallon.
Diesel and other motor fuels (retail)	4 cents per gallon.
Lubricating oil (manufacturers)	6 cents per gallon.
Trucks and trailers (manufacturers)	10 percent of manufacturers sale price.
Truck parts and accessories (manufacturers)	8 percent of manufacturers sale price.
Tires (manufacturers)	Highway—9.75 cents per pound.[1] Nonhighway—4.875 cents per pound.[1] Laminated—1 cent per pound.
Innertubes (manufacturers)	10 cents per pound.
Tread rubber	5 cents per pound.
Annual use tax on heavy trucks and buses	$3 per 1,000 pounds, if GVW exceeds 26,000 pounds.

[1] The highway tire tax rate was reduced from 10 cents/lb., and the nonhighway tire tax rate was reduced from 5 cents/lb., effective January 1, 1981 (Public Law 96-596).

Under present law, gasohol is exempt from the fuel tax as is fuel used on a farm or for farming purposes, fuel used in intercity, local or school buses, and fuel used by qualified taxicabs (the latter exemption is through December 31, 1982). In addition, buses are exempt from the 10-percent tax on trucks and trailers, the 8-percent parts and accessories tax; and intercity, local and school buses are exempt from the taxes on tires, tubes, tread rubber and lubricating oil.[4] General exemptions are provided from these excise taxes for State and local governments and tax-exempt educational organizations.

EXPENDITURES PURPOSES

The statutory provisions governing expenditures from the Highway Trust Fund provide that amounts in the Trust Fund are to be available, as provided in appropriation acts, for meeting obligations incurred under the Federal-Aid Road Act of 1916 as amended and supplemented, including portions of general administrative expenses payable from such appropriations. As a result, the Trust Fund expenditure and purposes are quite broad and include funding for:

—federal aid highways, including the interstate system, primary and secondary systems, urban systems, forest and public lands highways, scenic highways, overseas highways, etc.;

—interstate resurfacing and repair;

—bridge replacement;

—highway safety research and development;

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[4] These exemptions for buses were adopted in the Energy Act of 1978 (Public Law 95-618).

—highway-related safety grants;
—traffic control demonstration grants;
—traffic control signal demonstration projects;
—intermodal urban demonstration projects and mass transit grants;
—carpools and vanpools grants; and
—National Highway Traffic Safety Administration for a share of traffic safety programs.

MISCELLANEOUS

The Secretary of the Treasury is required to report to the Congress each year on the financial condition of the Trust Fund. In addition, a special report on cost allocation is required of the Department of Transportation by January 15, 1982, and a special report on the excise tax structure is required of the Department of Treasury by April 15, 1982.

The Committee on Public Works and Transportation has jurisdiction over the highway spending programs.

The statutory provisions establishing the Trust Fund and governing its operations are located at 23 U.S.C. 120 et seq.

FINANCIAL STATUS OF TRUST FUND

The following tables are based on the Department of Treasury's Twenty-Fifth Annual Report on the Highway Trust Fund, September 30, 1980.

Table 2 contains Trust Fund receipts from the various excise taxes and interest on investments for fiscal year 1980 and on a cumulative basis through September 30, 1980. The same data is provided for outlays from the Trust Fund by major expenditure purpose.

Table 3 illustrates for each fiscal year from 1957 through 1980 the Trust Fund balance compared with outstanding obligations and unpaid authorizations.

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1980

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1980		Fiscal year 1980	
	Amount	Percent of total	Amount	Percent of total
RECEIPTS				
Excise taxes (transferred from general fund):				
Gasoline	$77,108,532	66.3	$4,041,677	52.9
Diesel and special motor fuels	5,974,302	5.1	522,553	6.8
Tires used on highway vehicles	12,032,444	10.4	633,298	8.3
Tread rubber	551,928	.5	21,094	.3
Trucks, buses, and trailers	11,000,647	9.5	912,200	11.9
Use of certain vehicles	3,361,314	2.9	277,419	3.6

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1980—Continued

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1980		Fiscal year 1980	
	Amount	Percent of total	Amount	Percent of total
Inner tubes	$584,872	.5	$26,238	.4
Other tires	272,718	.2		
Parts and accessories	1,871,880	1.6	253,062	3.3
Lubricating oils	1,426,699	1.2	104,702	1.4
Total taxes	114,185,336	98.2	6,792,245	88.4
Less transfer to Land and Water Conservation Fund	465,213	.4	30,850	.4
Gross taxes	113,720,123	97.8	6,761,394	88.4
Less refunds of taxes (reimbursed to general fund):				
Gasoline used on farms [1]	2,323,510	2.0	104,570	1.4
Gasoline used for nonhighway purposes or local transit [1]	385,024	.3	4,793	.1
Gasoline, other	103	(2)		
Tires and tread rubber	97	(2)		
Trucks, buses, and trailers	67	(2)		
Floor stock taxes	—1	(2)		
Lubricating oils not used in highway motor vehicles [1]	294,555	.3	27,801	.4
Light-duty trucks	174,821	.2		
Fuel—taxicabs	4,407	(2)	4,404	.1
Total refunds of taxes	3,182,584	2.7	141,568	1.9
Net taxes	110,537,539	95.1	6,619,826	86.6
Interest on investments	5,686,238	4.9	1,027,451	13.4
Miscellaneous interest	4,863	(2)	33	(2)
Advances from general fund	489,000	.4		
Repayment of advances from general fund	—489,000	—.4		
Reimbursement from general fund	15,098	(2)		
Total receipts	116,243,738	100.0	7,647,310	100.0
OUTLAYS				
Highway program:				
Federal-Aid Highway Act of 1956	102,219,045	97.1	8,838,279	95.9
Right-of-way revolving fund	187,138	.2	26,162	.3
Trust fund share of other highway programs	160,499	.2	38,742	.4
Trust fund share of traffic safety program	1,065,590	1.0	213,904	2.3
Reimbursement to general fund	501,019	.5		

TABLE 2.—STATUS OF HIGHWAY TRUST FUND, SEPTEMBER 30, 1980—Continued

[Dollars in thousands]

Description	Cumulative through Sept. 30, 1980		Fiscal year 1980	
	Amount	Percent of total	Amount	Percent of total
Forest highways	$10,000	(2)		
Pentagon road network	2,245	(2)		
Public lands highways	5,000	(2)		
Overseas highways	53,606	.1	$35,975	.4
Highland Scenic Highway	14,965	(2)	3,495	(2)
Highland Scenic Highway study	469	(2)	350	(2)
Acceleration of projects	22,861	(2)	9,362	.1
Highway safety construction	870,000	.8		
Baltimore-Washington Parkway	1,741	(2)	203	(2)
Highway safety research and development	38,302	(2)	8,311	.1
Highway-related safety grants	67,587	.1	28,435	.3
Traffic control demonstration projects	10,000	(2)	1,543	(2)
Traffic control signal demonstration projects	7,161	(2)	7,161	.1
Intermodal urban demonstration project	266	(2)	263	(2)
Carpools and vanpools grants	127	(2)	127	(2)
Administration and enforcement of labor standards	368	(2)		
Interest on advances from general fund	6,288	(2)		
Total outlays	105,244,278	100.0	9,212,311	100.0
FUND ASSETS				
Investments (Government account series), Treasury certificates of indebtedness:				
9½ percent, maturing June 30, 1981	118,101		118,101	
10¼ percent, maturing June 30, 1981	10,741,430		10,741,430	
Undisbursed balance	139,929		139,929	
Total assets	10,999,460		10,999,460	

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[1] Includes income tax credits. Tax credits are charged to the fund on the basis of estimates and later adjusted to actual.

[2] Less than 0.05 of 1 percent.

Note.—Columns may not add due to rounding.

TABLE 3.—STATUS OF HIGHWAY TRUST FUND, ACTUAL FISCAL YEARS 1957–80

[In millions of dollars]

Fiscal year	Total receipts	Outlays—Authorizations, fiscal years 1957–80			Balance in the fund	Liability for—	
		Interstate	All other	Total		Unpaid obligations	Unpaid authorizations [1]
Actual:							
1957........	1,482	211	755	966	516	2,421	4,702
1958........	2,044	673	838	1,511	1,049	3,855	6,769
1959........	2,087	1,501	1,112	2,613	523	4,751	7,562
1960........	2,536	1,861	1,079	2,940	119	4,421	7,300
1961........	2,799	1,719	900	2,619	299	4,989	7,764
1962........	2,956	1,914	870	2,784	471	5,239	8,309
1963........	3,293	2,109	908	3,017	747	6,149	8,866
1964........	3,539	2,635	1,010	3,645	641	6,669	8,978
1965........	3,670	3,016	1,010	4,026	285	6,665	8,775
1966........	3,924	2,978	987	3,965	244	6,748	8,856
1967........	4,455	2,976	998	3,974	725	6,556	9,332
1968........	4,428	3,207	964	4,171	982	6,617	10,011
1969........	4,690	3,149	1,002	4,151	1,521	7,124	11,435
1970........	5,469	3,289	1,089	4,378	2,612	7,535	12,710
1971........	5,725	3,456	1,229	4,685	3,652	7,512	13,977
1972........	5,528	3,468	1,222	4,690	4,490	7,918	15,357
1973........	5,912	3,395	1,416	4,811	5,591	7,380	10,546
1974........	6,675	3,017	1,582	4,599	7,667	8,106	18,057
1975........	6,774	2,902	1,942	4,844	9,597	11,173	20,163
1976........	6,000	3,429	3,091	6,520	9,077	9,361	18,481
TQ............	1,690	854	904	1,758	9,009	9,299	20,334
1977........	7,302	2,979	3,168	6,147	10,164	10,362	17,489
1978........	7,567	2,846	3,212	6,058	11,673	11,749	18,582
1979........	8,046	3,449	3,706	7,155	12,564	13,556	19,823
1980........	7,647	4,334	4,878	9,212	10,999	12,768	19,242

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[1] Fiscal 1977 and prior years noninterstate authorizations and all fiscal year authorizations for interstate construction and resurfacing are available for obligation in advance of the fiscal year for which authorized. Fiscal 1978 and subsequent noninterstate authorizations become available on October 1 of the fiscal year for which authorized.

Section 4. Inland Waterways Trust Fund

LEGISLATIVE HISTORY

After two years of congressional debate, the Inland Waterways Trust Fund was established in Title II of Public Law 95-502, the Inland Waterways Revenue Act of 1978, enacted on October 21, 1978. The purpose of the Act is to provide funding for making construction and rehabilitation expenditures for navigation on specified inland and intracoastal waterways.

FINANCING MECHANISM

The 1978 Act imposed an excise tax (section 4042 of the Internal Revenue Code) effective October 1, 1980, on fuel used by vessels in commercial waterway transportation on those 26 inland and intracoastal waterways specified in section 206 of the Act. These waterways include the Mississippi River upstream from Baton Rouge, the Mississippi's tributaries, and the Gulf and Atlantic Intracoastal Waterways.

The tax rate was established at 4 cents per gallon for October 1, 1980, through September 30, 1981, with scheduled increases of 2 cents per gallon on October 1, 1981 (to 6 cents), October 1, 1983 (to 8 cents), and October 1, 1985 (to 10 cents). The tax does not apply to deep-draft ocean-going vessels, passenger or fishing vessels, or certain barges. The revenues from this tax are deposited into the Trust Fund.

EXPENDITURE PURPOSES

Amounts in the Trust Fund are available as provided in appropriations acts, for construction and rehabilitation expenditures for navigation on the specified inland and intracoastal waterways.

MISCELLANEOUS

The 1978 Act required an extensive study on inland waterways user taxes and charges by the Secretary of Transportation and the Secretary of Commerce, in consultation with a number of other agencies. Section 205 of the Act specified the issues to be considered in the study. These issues include: the extent to which the Federal Government should seek to recover its expenditures from users; the various forms of taxes or charges, methods for collecting, and coverage of users and waterways; the economic effects on carriers and users, regions, businesses, competitors, prices and so forth; the proper measurement of benefits to be assigned to users; the effects on development of the waterways. This study, to be submitted to Congress no later than September 30, 1981, along with the findings and recommendations of the Secretary of Transportation and various other agencies, was received in February 1982.

The Secretary of the Treasury is also required to submit an annual report to the Congress on the financial condition of the Trust Fund, beginning September 30, 1981. This annual report has not been received by the Congress.

The House Committee on Public Works and Transportation has jurisdiction over inland waterway authorizations.

The statutory provisions establishing the Inland Waterways Trust Fund and governing its operations are located at 33 U.S.C. 1801.

FINANCIAL STATUS OF THE TRUST FUND

The Budget for the United States for fiscal year 1983 shows receipts to the Inland Waterway Trust Fund of $21.6 million in fiscal year 1981 and an estimated $64.7 million in fiscal year 1982. There have been no appropriations from the Trust Fund for fiscal year 1981 or fiscal year 1982.

Section 5. Land and Water Conservation Fund

LEGISLATIVE HISTORY

On September 3, 1964, the Congress enacted Public Law 88-578, which established the Land and Water Conservation Fund as a separate account in the Treasury, effective January 1, 1965. Minor amendments were made to the Fund in 1965 (Public Law 89-72).

In 1968, Public Law 90-401 eliminated the system of user fees for all Federal recreation areas that had been included previously in the law. The repeal was effective December 31, 1971.[1] The 1968 Act also added authorization for additional appropriations of such amounts as are necessary to make the income of the Fund not less than $200 million for each of the five fiscal years beginning July 1, 1968, and ending June 30, 1973. To the extent that appropriated sums are insufficient to reach the required amounts, an amount sufficient to cover the remainder is to be credited to the Fund from revenues due and payable to the United States for deposit in the Treasury as miscellaneous receipts under the Outer Continental Shelf Lands Act.

In 1970, Public Law 91-485 increased the authorized appropriations to not less than $300 million for fiscal years 1971 through June 30, 1989. As a result of amendments in 1976 and 1977, the amount for fiscal year 1978 was increased to $900 million (Public Law 94-422, Public Law 94-273 and Public Law 95-42).

In 1981, Public Law 96-451 provided for the transfer from the Land and Water Conservation Fund up to $20 million per year for fiscal years 1981-1983 of revenues from motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund. (See section 6 for discussion of the Boating Fund.) In 1981, Public Law 96-514 provided that revenues from recreation fee collections should be deposited into the Land and Water Conservation Fund.

FINANCING MECHANISM

16 U.S.C. 460*l*-5 provides that the following amounts will be deposited in the Land and Water Conservation Fund:

> (1) All proceeds (except that committed under 40 U.S.C. 485 (b) and (c) or the Independent Offices Appropriation Act, 1963, or in any later appropriation act) received from any disposal of surplus real property and related personal property under the Federal Property and Administrative Services Act of 1949, as amended, notwithstanding any provision of law that such pro-

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[1] A limited system of fees was later reinstated, and for several years these revenues generally were to be covered into a special account in the Treasury to be administered in conjunction with, but separately from, the Land and Water Conservation Fund.

ceeds shall be credited to miscellaneous receipts of the Treasury;

(2) Generally, the amounts equivalent to the 4 cents per gallon tax on gasoline and special fuels used as fuel in motorboats (amounts specified in section 209(f)(5) of the Highway Revenue Act of 1956); [2]

(3) In addition, there are authorized to be appropriated annually to the Fund such amounts as necessary to make the income of the Fund not less than $300 million for fiscal year 1977, and $900 million for fiscal year 1978 and for each fiscal year thereafter through September 30, 1989.

(4) To the extent that the appropriated sums are not sufficient to make the total annual income of the Fund equivalent to the amounts enumerated above, an amount sufficient to cover the remainder shall be credited to the Fund from revenues due and payable as miscellaneous receipts under the Outer Continental Shelf Lands Act (43 U.S.C. 1331 *et seq.*).

EXPENDITURE PURPOSES

16 U.S.C. 460*l*-4 provides that the land and water conservation provisions of section 460 are "to assist in preserving, developing, and assuring accessibility to all citizens of the United States of America of present and future generations and visitors who are lawfully present within the boundaries of the United States of America such quality and quantity of outdoor recreation resources as may be available and are necessary and desirable for individual active participation in such recreation and to strengthen the health and vitality of the citizens of the United States by (1) providing funds for and authorizing Federal assistance to the States in planning, acquisition, and development of needed land and water areas and facilities and (2) providing funds for the Federal acquisition and development of certain lands and other areas."

Monies in the Fund are available for expenditures as provided in appropriation acts. Not less than 40 percent of annual appropriations are to be used for Federal purposes; these include activities and programs of the Heritage Conservation and Recreation Service, the Bureau of Land Management, the Forest Service, the Fish and Wildlife Service and the National Park System. The remainder of funds appropriated are for state purposes, and these funds are apportioned among the states on the basis of statutory formula and criteria.

MISCELLANEOUS

Jurisdiction over all the land and water conservation programs is within the Committee on Interior and Insular Affairs.

No annual report is required on the Fund's financial condition or operations.

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[2] However, Public Law 96-451 provides for the transfer from the Land and Water Conservation Fund of up to $20 million per year for fiscal years 1981-1983 of motorboat fuel taxes to the National Recreational Boating Safety and Facilities Improvement Fund.

The statutory provisions establishing the Land and Water Conservation Fund and governing its operation are located at 16 U.S.C. 460(l).

FINANCIAL STATUS OF FUND

The following table from the Budget Appendix for fiscal years 1982 and 1983 contains data on the Fund's receipts for fiscal year 1980 (actual) and fiscal year 1981, as well as the Fund's balance at the end of the fiscal year.

TABLE 1.—AMOUNTS AVAILABLE FOR APPROPRIATION

[In thousands of dollars]

	1980 actual	1981 actual
Unappropriated balance, start of year	115,354	506,160
Collections (offsetting receipts): Land and Water Conservation Fund Act:		
Recreation fees		13,975
Surplus property sales	63,336	35,979
Motorboat fuels tax	29,857	12,308
Outer Continental Shelf Lands Act	806,769	837,575
Unobligated balance returned to unappropriated collections	38	163
Total available for appropriation	1,015,354	1,406,160
Appropriation	−509,194	−288,593
Unappropriated balance, end of year	506,160	1,117,567

Appropriations bills for fiscal years 1980 and 1981 allocated $300 million and $174 million, respectively, to the States with the remainder allocated among the five Federal agencies noted above. For fiscal year 1982, the total appropriation from the Fund dropped to $149 million, and none of this funding was allocated to the States.

Section 6. National Recreation Boating Safety and Facilities Improvement Fund

LEGISLATIVE HISTORY

The National Recreational Boating Safety and Facilities Improvement Fund was enacted on October 14, 1980 (Public Law 96-451). Before this time, all funds attributable to the excise taxes on motorboat use of gasoline and other motor fuels were transferred periodically from the Highway Trust Fund into the Land and Water Conservation Fund.

FINANCING MECHANISM

The Secretary of the Treasury is authorized to pay into the Trust Fund amounts equivalent to the motorboat fuel taxes received on or after October 1, 1980, and before October 1, 1983. The aggregate amount transferred to the Trust Fund during any fiscal year is not to exceed $20 million. Also, no amount is to be transferred if such transfer would result in increasing the amount in the Trust Fund to a sum in excess of $20 million. Any amount received in the Highway Trust Fund which is attributable to motorboat fuel taxes and which is not transferred from the Highway Trust Fund under these provisions is to be transferred into the Land and Water Conservation Fund provided for in Title I of the Land and Water Conservation Fund Act of 1965.

Fuel taxes are imposed under Internal Revenue Code sections 4041(b) and 4081. Generally, the tax is 4 cents a gallon on gasoline and special motor fuels.

EXPENDITURE PURPOSES

Amounts in the Trust Fund are available, as provided in appropriations acts, for making expenditures after September 30, 1980, and before April 1, 1984, as provided in section 26 of the Federal Boat Safety Act of 1971 (46 U.S.C. 1476). Under section 26 of the Federal Boat Safety Act, the Secretary of Transportation may allocate and distribute amounts from the fund to any State that has an accepted State recreational boating safety and facilities improvement program if that program meets certain standards and the State provides matching funds.

Available Trust Fund amounts are allocated and distributed under the recreational boating safety programs and the facility improvement programs as follows: ⅓ allocated equally among eligible States, ⅓ allocated among eligible States who maintain an approved State vessel numbering system according to number of vessels, and ⅓ allocated to eligible States according to the amount of State funds expended or obligated for State boating safety programs or boating facility improvement programs.

MISCELLANEOUS

The Secretary of the Treasury after consultation with the Secretary of Transportation (Department in which the Coast Guard is operating) is required to conduct a study to determine the portion of the taxes imposed by Internal Revenue Code sections 4041(b) and 4081 which is attributable to fuel used in recreational motorboats. The Secretary is to report the findings to the Congress no later than October 14, 1982.

The statutory language establishing the National Recreational Boating Safety and Facilities Improvement Fund and governing its operation are located at 46 U.S.C. 1479.

FINANCIAL STATUS OF FUND

According to the Appendix of the Budget for the U.S. Government for fiscal year 1982, $20 million in revenues was allocated to the Fund in fiscal year 1981; however, no appropriation was requested, and the Administration stated that it did not intend to establish the program. Accordingly, the Fund is expected to continue to carry an unappropriated balance of $20 million.

Section 7. Reforestation Trust Fund

LEGISLATIVE HISTORY

In 1980, the Congress enacted Title III of Public Law 96-451 which provided for the amortization of certain reforestation expenses and established the Reforestation Trust Fund.

FINANCING MECHANISM

Funds for the Reforestation Trust Fund are derived from import duties on plywood and lumber. The Secretary of the Treasury is required to transfer receipts from these tariffs to the Trust Fund in maximum amounts of $30 million for each fiscal year during the six-year period from October 1, 1979, through September 30, 1985. At the termination of the Trust Fund on September 30, 1985, unexpended amounts, including interest earned on invested proceeds, are to be returned to the general fund of the Treasury.

EXPENDITURE PURPOSES

Funds are to be used to supplement congressional appropriations for reforestation and timber stock improvement on publicly owned national forests, in order to eliminate and prevent a backlog in reforestation of the National Forest system.

For each of the five fiscal years from fiscal year 1981 through fiscal year 1985, appropriations have been authorized from the Trust Fund to the Secretary of Agriculture to pay estimated necessary direct costs and properly allocable administrative costs for reforestation and related programs (under section 3(d)(2)) of the Forest Rangeland Resources Planning Act of 1974 (16 U.S.C. 1601(d)(2)), but only to the extent these estimated costs exceed amounts appropriated out of the general fund for these purposes.

MISCELLANEOUS

After consulting with the Secretary of Agriculture, the Secretary of the Treasury must submit annual reports to the Congress setting forth the financial condition and operating results of the Reforestation Trust Fund for the preceding fiscal year and the expected condition and results of the Trust Fund for the next year.

The statutory language establishing the Reforestation Trust Fund and governing its operations are located at 16 U.S.C. 16062.

FINANCIAL STATUS OF FUND

Thirty million dollars was transferred to the Trust Fund in fiscal year 1980 and again in fiscal year 1981. The Trust Fund presently has a balance of $64,159,804.37. No funds have been expended from the Trust Fund.

Section 8. Superfunds

(A) Hazardous Substance Response Trust Fund

LEGISLATIVE HISTORY

The Hazardous Substance Response Trust Fund was enacted in Title II, Subtitle B, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96-510).

FINANCING MECHANISM

The 1980 Act appropriates, out of any money in the Treasury not otherwise appropriated, to the Response Trust Fund amounts determined by the Secretary of the Treasury to be equivalent to the excise taxes received in the Treasury under Internal Revenue Code sections 4611 and 4661, the amounts recovered on behalf of the Response Trust Fund under the Act, all moneys recovered or collected under section 311(b)(6)(B) of the Clean Water Act, penalties assessed under Title I of the 1980 Act, and punitive damages under section 107(c)(8) of the 1980 Act.

Internal Revenue Code section 4611 imposes a tax of 0.79 cent a barrel on crude oil used in, exported from, or imported into the United States. The tax does not apply to any use of crude oil for extracting oil or natural gas on the premises where the crude oil was produced. Internal Revenue Code section 4661 imposes a tax on any taxable chemical sold by a manufacturer, producer, or importer. The tax rate is determined in accordance with Table 1:

TABLE 1.—TAX RATES ON CHEMICALS

Chemical	Tax per ton
Acetylene	$4.87
Benzene	4.87
Butane	4.87
Butylene	4.87
Butadiene	4.87
Ethylene	4.87
Methane	3.44
Naphthalene	4.87
Propylene	4.87
Toluene	4.87
Xylene	4.87
Ammonia	2.64
Antimony	4.45
Antimony trioxide	3.75
Arsenic	4.45
Arsenic trioxide	3.41
Barium sulfide	2.30
Bromine	4.45
Cadmium	4.45
Chlorine	2.70
Chromium	4.45
Chromite	1.52
Potassium dichromate	1.69
Sodium dichromate	1.87
Cobalt	4.45
Cupric sulfate	1.87
Cupric oxide	3.59
Cuprous oxide	3.97
Hydrochloric acid	.29
Hydrogen fluoride	4.23
Lead oxide	4.14
Mercury	4.45
Nickel	4.45
Phosphorus	4.45
Stannous chloride	2.85
Stannic chloride	2.12
Zinc chloride	2.22
Zinc sulfate	1.90
Potassium hydroxide	.22
Sodium hydroxide	.28
Sulfuric acid	.26
Nitric acid	.24

These taxes apply from April 1, 1981, through September 30, 1985. However, if on September 30, 1983, or September 30, 1984, the unobligated balance in the Hazardous Substance Response Trust Fund as of that date exceeds $900 million and the Secretary of the Treasury (after consultation with the Administrator of the

Environmental Protection Agency) determines that the unobligated balance will exceed $500 million on September 30 of the following year if no more excise taxes are collected under Internal Revenue section 4611 or 4661 during the following calendar year, then no tax shall be imposed during the following year.

The Act authorizes to be appropriated to the Response Trust Fund, $44 million in each fiscal year from 1981 through 1985. The Act also authorizes an appropriation in 1985 of an amount equal to so much of the aggregate amount authorized and not appropriated in the earlier fiscal years.

The Act provides for the transfer to the Response Trust Fund of one-half of the unobligated balance remaining on December 10, 1980, under the Fund in section 311 of the Clean Water Act and the amounts appropriated under section 504(b) of the Clean Water Act during any fiscal year.

The Act also authorizes to be appropriated to the Response Trust Fund, as repayable advances, such sums as may be necessary to carry out the purposes of the Fund. Advances are not to exceed amounts which the Secretary of the Treasury estimates will be received by the Fund in the following 12 months. No advance is to be made after September 30, 1985, and all previous advances are to be repaid before that time.

Expenditure Purposes

The Act establishes a comprehensive system of notification, emergency response, enforcement, and liability for hazardous substance spills and uncontrolled hazardous waste dumpsites. The program is designed to provide a broad based cleanup effort.

Amounts in the Response Trust Fund are available in connection with releases or threats of releases of hazardous substances into the environment only for purposes of making expenditures which are described in the Act as in effect on December 11, 1980, including response costs; claims asserted and compensable but unsatisfied under section 311 of the Clean Water Act; claims for injury to, or destruction or loss of, natural resources; and related costs described in the Act.

At least 85 percent of the amounts appropriated to the Response Trust Fund equivalent to the taxes under Internal Revenue Code section 4611 or 4661 (and through the additional authorized amounts for each fiscal year) are to be reserved for payment of governmental response costs pursuant to the Act, including costs incurred pursuant to the Intervention on the High Seas Act, payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act as amended by the 1980 Act and approved under the plan and certified by the responsible Federal official, payment of costs specified under Act section 111(c), and for the repayment of certain advances made under the Act.

MISCELLANEOUS

The statutory language establishing the Hazardous Substance Response Trust Fund and governing its operation are located at 42 U.S.C. 9631 et seq.

FINANCIAL STATUS OF FUND

TABLE 2.—HAZARDOUS SUBSTANCE RESPONSE TRUST FUND—AMOUNTS AVAILABLE FOR APPROPRIATION

[In millions of dollars]

	1980 actual	1981 actual	1982 estimate
Unappropriated balance, start of year			78
Receipts:			
Interest, fines, and recoveries		9	18
Transfers from the general fund, amounts equivalent to taxes		128	283
Transfers from the pollution fund, Coast Guard		7	....
Appropriations from the general fund		9	27
Total available for appropriation		153	406
Appropriations: Hazardous Substance Response Trust Fund:			
Appropriation		−68	−190
Proposed supplemental	....	−7	....
Unappropriated balance, end of year		78	216

(B) Post-closure Liability Trust Fund

LEGISLATIVE HISTORY

The Post-closure Liability Trust Fund was enacted in Title II, Subtitle C, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 on December 11, 1980 (Public Law 96–510).

FINANCING MECHANISM

The Fund consists of "such amounts as may be appropriated, credited, or transferred to" the Trust Fund.

The Comprehensive Environmental Response, Compensation, and Liability Act imposed an excise tax on the receipt of hazardous waste at a qualified hazardous waste disposal facility. Under Internal Revenue Code section 4681, the tax imposed on the owner or operator of the qualified hazardous waste disposal facility is $2.13 per dry weight ton of hazardous waste. The tax applies to the receipt of hazardous waste after September 30, 1983, except that if, as of September 30 of any subsequent calendar year, the unobligated balance of the Post-closure Liability Trust Fund exceeds $200 million, no tax shall be imposed under section 4681 during the following year.

EXPENDITURE PURPOSES

Amounts in the Post-closure Liability Trust Fund are to be available only for the purposes described in the 1980 Act as in effect on December 11, 1980. Under the Act, the liability of the owner or operator of a hazardous waste disposal facility which has received a permit under subtitle C of the Solid Waste Disposal Act shall be transferred to the Fund when (1) the owner and operator of the facility has complied with the requirements under subtitle C of the Solid Waste Disposal Act and regulations thereunder which may affect the performance of such facility after closure, and (2) the facility has been closed in accordance with the regulations and the conditions of the permit, and the facility has been monitored as required by the regulations and permit for a period not to exceed 5 years after closure to demonstrate that there is no substantial likelihood that any migration offsite or release from confinement of any hazardous substance or other risk to public health or welfare will occur. The transfer of liability is to be effective 90 days after the owner or operator of the facility notifies the Administrator of the Environmental Protection Agency (and the State if it has an authorized program) that the required conditions have been satisfied. If all the requirements are not met or if insufficient information has been provided, the Administrator or State representative notifies the owner and operator who continues to be liable until the Administrator and State determine that the facility has complied with the liability transfer requirements under this Act. The Fund also may be used to pay the cost of monitoring and care and maintenance of a site incurred by other persons after the period of monitoring required by regulations under subtitle C of the Solid Waste Disposal Act for hazardous waste disposal facilities meeting the transfer conditions described above.

The Act also provides that the President is to use the money in the Post-closure Liability Fund for the following purposes (with respect to a hazardous waste disposal facility for which liability has been transferred to the Fund under the Act):

(1) payment of certain governmental response costs, including costs incurred pursuant to the Intervention on the High Seas Act;

(2) payment of any claim for necessary response costs incurred by any other person as a result of carrying out the national contingency plan established under the Clean Water Act and amended by the 1980 Act provided, however, that such costs must be approved under the plan and certified by the responsible Federal official;

(3) payment of any claim authorized under Act section 111(b) and finally decided pursuant to Act section 112 (claims procedure); and

(4) payment of costs specified under Act section 111(c) (list of types of costs covered).

MISCELLANEOUS

The statutory provisions establishing the Post-closure Liability Trust Fund and governing its operation are located at 42 U.S.C. 9641.

FINANCIAL STATUS OF FUND

No financial data is yet available since the Trust Fund is not operational at this time.

Section 9. Tax Court Judges Survivors Annuity Fund

LEGISLATIVE HISTORY

The Tax Court Judges Survivors Annuity Fund was enacted in Public Law 87–370 on October 4, 1961. Internal Revenue Code section 7448 provides the statutory basis for the annuities to surviving spouses and dependent children of Tax Court judges.

FINANCING MECHANISM

Any judge of the United States Tax Court may by written election while a judge (or before a successor takes office) participate in the fund. There is deducted and withheld from the salary of each judge electing to participate 3 percent of that judge's salary. The amounts deducted and withheld are deposited, in accordance with procedures prescribed by the Comptroller General of the United States, in the U.S. Treasury to the credit of the Tax Court Judges Survivors Annuity Fund. A judge may deposit, with interest at 4 percent per annum to December 31, 1947, and 3 percent per annum thereafter, compounded on December 31 of each year, to the credit of the Fund, a sum equal to 3 percent of the judge's salary and of that individual's basic salary, pay, or compensation for service as a Senator, Representative, Delegate, or Resident Commissioner in Congress, and for any other civilian service within the purview of 5 U.S.C. 8332. Each judge may elect to make the deposits in installments during continuance of service as a judge in such amount and under such conditions as may be determined in each instance by the chief judge of the Tax Court.

Notwithstanding the failure of a judge to make the deposit, credit is allowed for the service rendered, but the annuity of the surviving spouse of the judge is reduced by an amount equal to 10 percent of the amount of the deposit, computed as of the date of the death of the judge (unless the surviving spouse elects not to count the service, for which the deposit was not made, in determining the annuity due). No deposit is required from a judge for any year with respect to which deductions from salary were actually made under the civil service retirement laws. Also, no deposit is required for any honorable service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

EXPENDITURE PURPOSES

The Fund is used to pay annuities to a deceased judge's surviving spouse and children.

If a judge who elects to participate in the Fund dies after having rendered at least 5 years of civilian service for which salary was withheld for the Fund (or for which salary was withheld under the civil service retirement laws), a surviving spouse or surviving dependent child is entitled to an annuity from the Fund. If the surviving spouse has not attained age 50 at the date of the judge's death (and no dependent child survives), the annuity commences when the surviving spouse reaches age 50. The annuity payable to a surviving spouse terminates upon the surviving spouse's death or remarriage. An annuity payable to a dependent child and to a surviving spouse, if the judge is also survived by a dependent child, begins immediately after the judge's death. The annuity for a dependent child terminates generally upon the surviving child's reaching 18 years of age, marriage, or death. If the child is incapable of self support because of mental or physical disability, the annuity would terminate only upon death, marriage, or recovery from the disability.

The annuity payable to a surviving spouse of a judge electing under the Fund is equal to a stated percentage (generally 1¼ percent) of the average annual salary received by the judge (whether the judge's salary or compensation is for other allowable Federal service) for the 5 consecutive years in which the judge received the largest average annual salary, multiplied by the sum of years of judicial or other allowable Federal service. The annuity for the surviving spouse cannot exceed 37½ percent of the average annual salary of the judge. The annuity of the surviving spouse will be reduced to account for periods of time when the judge did not contribute to the Fund. The amount of the annuity payable to a surviving dependent is based upon the annuity payable to a surviving spouse (subject to certain limits).

MISCELLANEOUS

The statutory provisions governing this Fund are located at Internal Revenue Code section 7448.

FINANCIAL STATUS OF FUND

As of September 30, 1980, 15 judges of the Tax Court were participating in the Fund, and 6 eligible widows were receiving survivor annuities. The cost of these annuities was $69,000 in fiscal year 1980 and $79,000 in 1981.

Section 10. Black Lung Disability Trust Fund

LEGISLATIVE HISTORY AND JURISDICTION

National attention was focused on the working conditions of coal miners following a West Virginia coal mine accident in 1968 that killed 78 workers. Congressional hearings the following year on reform of the coal mine safety laws also examined the problems of coal workers' pneumoconiosis, or black lung disease. The Federal Coal Mine Health and Safety Act of 1969 established Federal minimum standards for mines in order to protect the safety and health of coal miners. In addition, title IV of the act provided benefits for miners totally disabled by black lung disease and for dependents of miners who had died from the disease or were totally disabled from the disease at death.

The 1969 act was the first effort, at any level of government, to provide benefits exclusively to the victims of a single occupational disease. This was also the first time the Federal Government took major responsibility in the traditionally State-administered area of workers' compensation. The 1969 act was amended by the Black Lung Benefits Act of 1972, the Black Lung Benefits Reform Act of 1977, the Black Lung Revenue Act of 1977, and the Black Lung Benefits Revenue Act of 1981.

The statutory provisions of the act as amended are contained in 30 U.S.C. sections 901 et seq. and in the Internal Revenue Code of 1954 sections 4121, 4218, 4951, 4952, 4953, and 9501, et seq.

There are two distinct programs of black lung benefits under title IV: part B and part C. The part B program is financed by Federal general revenues and is administered by the Social Security Administration (SSA). Benefits under part B are payable only for claims filed on or before June 30, 1973, (December 31, 1973, in the case of survivors) and thus no new beneficiaries can be added to the rolls. The part C program is administered by the Department of Labor (DOL) and generally applies to claims filed after June 30, 1973. Benefits under part C are paid either by the "responsible" coal mine operator or by the Black Lung Disability Trust Fund.

The Black Lung Disability Trust Fund was created in 1978 pursuant to the Black Lung Benefits Revenue Act of 1977 (Public Law 95-227). In 1981, the Black Lung Disability Trust Fund was transferred to the Internal Revenue Code by the Black Lung Benefits Revenue Act of 1981 (Public Law 97-119).

The Committee on Ways and Means has jurisdiction over the excise tax on coal, the structure and administration of the Black Lung Disability Trust Fund, the expenditure purposes of the trust fund and tax provisions as to the coal mine operators' self-insurance trusts. The Committee on Education and Labor has jurisdiction over eligibility and evidentiary standards, claims adjudication, and related benefit provisions.

The Department of Labor is required to conduct two studies and provide two reports to the Congress by June 1983. One study and report will focus on the key eligibility criteria used in granting black lung benefits. The other study and report will examine the benefits available to the same individual under this program and other social programs such as workers' compensation and unemployment insurance.

The Secretary of the Treasury is required to report to the Congress each year on the financial status of the trust fund during the preceding fiscal year and on its expected condition and operations during the next 5 fiscal years.

BENEFIT STRUCTURE

Generally, the Black Lung Disability Trust Fund ("trust fund") is required to pay benefits with respect to part C claims (claims filed *after* June 30, 1973) in which the miner's last coal mine employment was *before* January 1, 1970. Part B claims (claims filed on or *before* June 30, 1973) are generally paid by the Social Security Administration out of the general revenues of the Treasury, not the trust fund. If a miner's last coal mine employment was *after* January 1, 1970, and the claim was filed *after* June 30, 1973, benefits are paid by the coal mine operator judged to be responsible, the so-called "responsible operator," not the trust fund. The trust fund pays benefits if there is no responsible operator among the miner's employers or if the responsible operator is in default. Under the Black Lung Benefits Revenue Act of 1981, liability for certain claims which had been denied prior to March 1, 1978, but which were reviewed and approved under the liberalized eligibility criteria of the Black Lung Benefits Reform Act of 1977, was also transferred to the trust fund. When an operator is determined to be responsible for the payment of benefits which in fact have been paid out of the trust fund, then the operator is obligated to reimburse the trust fund for those amounts plus interest.

The expenses of the Department of Labor and the administrative expenses of the Department of Health and Human Services for the claims program financed through the trust fund are paid out of the trust fund monies. The trust fund also bears the cost of its own administration as well as the costs of administering the collection of the excise tax on coal.

A claim under part B or C must meet three general conditions in order to be approved for black lung disability benefits: (1) the miner must have (or, if deceased, have had) pneumoconiosis; (2) the miner must be totally disabled by the disease (or must have been totally disabled at the time of death); and (3) the pneumoconiosis must have arisen out of coal mine employment. There are certain statutory presumptions that are used to establish eligibility.

TABLE 1.—NUMBER OF PART C BENEFICIARIES

[Calendar years]

Class of beneficiary	1979	1980	1981
Primary beneficiaries:			
Miners	30,739	52,922	62,787
Widows	19,366	26,739	30,517
Others	605	1,189	1,831
Total primary beneficiaries	50,710	80,850	95,135
Dependents of primary beneficiaries:			
Dependents of miners	31,184	54,624	63,854
Dependents of widows	1,678	2,747	3,282
Dependents of others	315	852	1,130
Total dependents	33,177	58,223	68,266
All beneficiaries	83,887	139,073	163,401

Source: Department of Labor.

TABLE 2.—NUMBER OF PART B BENEFICIARIES

[Calendar years]

Class of beneficiary	1970	1974	1979	1980	1981 (September)
Miners	43,921	169,097	129,558	120,235	113,055
Widows	24,889	134,700	146,527	146,603	146,376
Others	43,166	183,419	142,863	132,639	122,048
Total	111,976	487,216	418,948	399,477	381,479

Source: January 1982, Social Security Bulletin Vol. 45, No. 1.

The basic monthly benefit for a miner totally disabled from black lung or a survivor is 37½ percent of the monthly pay of a Federal employee in grade GS-2, step 1. A totally disabled miner or survivor with one dependent receives the basic monthly benefit rate increased by 50 percent. It the miner or survivor has two dependents, the benefit rate is increased by 75 percent, and if there are three or more dependents, the rate is increased by 100 percent. Benefit rates are revised in October of each year to reflect any revision in Federal pay scales. The rates as of October 1981 were:

Miner or one survivor—$293.20.
Miner or survivor with one dependent—$439.80.
Miner or survivor with two dependents—$513.10.
Miner or survivor with three or more dependents—$586.40.

Black lung benefits are not taxed by the Federal Government, although States may do so. The average monthly black lung benefit for a single claimant under part C for fiscal 1980 was $254.00, and the average for a claimant with three or more dependents was

$508.00.[1] In calendar year 1979, eight States accounted for nearly 80 percent of the part C monthly benefits payments: Pennsylvania (25.7 percent); West Virginia (15.7 percent); Ohio (10.1 percent); Kentucky (8.6 percent); Illinois (5.6 percent); Virginia (5.4 percent); Alabama (3.7 percent); Indiana (3.0 percent); Tennessee (2.1 percent); and Michigan (1.9 percent).

Reductions in black lung benefits or the offset of black lung benefits against other benefits are subject to significantly different rules depending upon whether the benefits are paid under part B or part C. Under part B, black lung benefits are reduced by any payments received under the workers' compensation, unemployment compensation or disability insurance laws of a State if such payments are for death or disability due to pneumoconiosis. If the State payments are made for reasons other than pneumoconiosis, black lung benefits are not reduced. Part C benefits are reduced for State or Federal workers' compensation (but *not* for unemployment compensation or disability insurance) in the same manner.

Under part B, miners or their parents, brothers or sisters (but not their spouse or children) have always been subject to an earnings test which causes their black lung benefits to be reduced as defined in section 203 of the Social Security Act (same as the earnings test for social security recipients). For example, in 1982 if a disabled miner, under the age of 65, earns more than $4,440.00 in wages then his or her black lung benefits will be reduced. For every $2.00 of earnings over $4,440.00, benefits will be reduced $1.00.

The amount of earnings allowed before an offset applies is adjusted each year for inflation, and a larger amount ($6,000.00) applies to those ages 65–72. There is no offset for persons 72 and over, and beginning in 1983, there will be no offset for those 70 and over. This excess earnings offset does *not* apply to benefits payable under part C, unless the claim for benefits was filed on or after January 1, 1982.

Under part B, black lung benefits are not considered workers' compensation payments and therefore are not considered in calculating any social security disability payments under Title II of the Social Security Act. However under part C, exactly the opposite is the case, and black lung benefits must be taken into account in applying the 80 percent test enacted as part of Public Law 97–35. Thus, under part C, black lung benefits for miners (not spouses or other beneficiaries) plus disability payments under title II of the Social Security Act cannot exceed 80 percent of the miner's prior earnings.

Survivor benefits under the black lung program are not reduced as a result of social security survivor benefits.

A miner (but not a miner's family or survivors) receiving black lung cash benefits is eligible for medical and rehabilitation benefits including treatment and/or medications prescribed for the miner's black lung disease and directly associated illnesses. Medical costs are paid either by a responsible coal mine operator or by the Trust

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[1] 1980 Department of Labor Annual Report on Administration of the Black Lung Benefits Act, at p. 32.

Fund, whichever is responsible for payment of regular monthly benefits.

FINANCING MECHANISM

A manufacturers' excise tax is imposed on domestically mined coal (other than lignite) which is sold or used by the producer (Internal Revenue Code sections 4121 and 4218). The rate of tax is the lesser of (1) 50 cents per ton for coal from underground mines and 25 cents per ton for coal from surface mines, or (2) 2 percent of the price for which the coal is sold.

In addition, a temporary increase of these excise taxes was enacted in 1981 (Public Law 97-119), effective January 1, 1982. As a result, the current tax is the lesser of (1) $1 per ton for coal from underground mines and 50 cents per ton for coal from surface mines, or (2) 4 percent of the price for which the coal is sold. The temporary increase will expire on January 1, 1996, or earlier, if the Balck Lung Disability Trust Fund becomes solvent.

Amounts equal to the revenues from this excise tax (plus any revenues from the penalty tax on taxable expenditures from a coal mine operator self-insurance trust, described below) are automatically appropriated to the Black Lung Disability Trust Fund.

A responsible operator may fund its liability for black lung benefits through deductible contributions to a qualified tax-exempt trust (code section 501(c)(21)), called coal mine operators' self-insurance trusts. Misuse of a trust due to self-dealing (code section 4951) and expenditures for an improper purpose (code section 4953), trigger certain excise taxes. Amounts collected under these provisions, which in the past have been very small, are appropriated to the Black Lung Disability Trust Fund.

FINANCIAL STATUS OF TRUST FUND

The trust fund has been operating at a deficit since its establishment in 1978. As of fiscal year 1981, the trust fund has paid out over $2 billion in cash benefits and medical expenses, along with approximately $137 million in administrative costs. It also has accumulated over $160 million in interest charges. At the same time, the excise tax on coal has generated only approximately $822 million in revenues leaving a cumulative deficit of over $1.5 billion through fiscal year 1981. This deficit has been financed with advances from the general revenues of the U.S. Treasury which must be repaid with interest from future trust fund revenues.

Table 3 shows the status of the trust fund as of the end of fiscal year 1981.

TABLE 3.—STATUS OF BLACK LUNG DISABILITY TRUST FUND

[In thousands of dollars]

Fiscal year	Income			Outgo		
	Coal tonnage tax	Interest	Advances from general fund	Benefit payments	Administrative expenses	Interest on advances
Actual:						
1978	92,050	1,192	18,925	76,797	35,346	
1979	221,614	122	400,809	582,038	32,149	7,740
1980	272,262		535,837	721,746	34,238	52,497
1981	236,634		554,777	660,554	35,584	109,487
Total	822,560	1,314	1,510,348	2,041,135	137,317	169,724

Source: Third Annual Report on the Financial Condition and Results of Operations of the Black Lung Disability Trust Fund (Department of Treasury, September 30, 1980) and information supplied to the Committee on Ways and Means' staff by the Department of Treasury (1981).

The changes contained in the Black Lung Benefits Revenue Act of 1981, including the increase in the coal excise tax effective January 1, 1982, are expected to bring the trust fund into total solvency by 1995 and allow the trust fund to cease borrowing from the general revenues of the Treasury by 1985.

Table 4 indicates the projected financial status of the trust fund through the end of fiscal year 1995.

TABLE 4.—PROJECTED FINANCIAL STATUS OF BLACK LUNG DISABILITY TRUST FUND

[In millions of dollars]

Fiscal year	Total revenues	Total obligations	Advances needed	Cumulative fund balance
1982	527.0	764.0	235	−1,745.0
1983	634.4	695.0	62	−1,807.0
1984	664.8	700.7	37	−1,844.0
1985	707.1	701.1	0	−1,840.7
1986	736.9	710.2	0	−1,815.2
1987	782.3	706.6	0	−1,742.5
1988	832.3	701.3	0	−1,621.3
1989	867.8	695.0	0	−1,448.6
1990	925.9	682.4	0	−1,205.1
1991	978.4	660.1	0	−886.7
1992	1,034.0	627.6	0	−480.4
1993	1,092.7	577.8	0	[1] +34.5

[1] Trust fund projections revised and trust fund projected to be solvent in 1993 rather than 1994 because federal pay raise set at 5 percent in President's Budget.

Source: Department of Labor detailed estimates underlying the President's Budget Request to Congress, February 1982.

Section 11. Railroad Retirement System

The railroad retirement system is a federally legislated program which provides retirement, disability and survivor annuities to workers whose employment was connected with the railroad industry for at least 10 years. The system, in existence since 1937, was substantially modified by the Railroad Retirement Act of 1974 (RRA), which provided for closer coordination with the social security system. Credits are primarily secured by employment in the railroad industry, although any social security credits earned during employees' work careers are included in the benefit computation. Benefits are financed through a combination of employee, employer, and Federal Government contributions to the railroad retirement account.

Retirement and survivor benefit payments during fiscal year 1980 totaled $4,731 million. These payments were made to 1,084,000 beneficiaries. Retired employee and spouse annuitants constituted 731,000 of these beneficiaries and received $3,390 million. Survivor beneficiaries received a total of $1,341 million, consisting of $1,327 million in monthly benefits and $14 million in lump-sum payments.

JURISDICTION

In the House of Representatives, the jurisdiction over the railroad retirement system is divided between two standing committees. Under the rules of the House, the Energy and Commerce Committee has jurisdiction over "railroads, including railroad labor, railroad retirement and unemployment, except revenue measures related thereto." That Committee therefore has jurisdiction over the Railroad Retirement Act, which contains the substantive legislation relating to railroad retirement legislation. The Committee on Ways and Means has jurisdiction over all revenue measures, including the Railroad Retirement Tax Act (Chapter 22 of the Internal Revenue Code of 1954). Within the Committee on Ways and Means jurisdiction over employment taxes and trust fund operations relating to the Railroad Retirement System lies within the Subcommittee on Social Security.

Numerous changes in both railroad retirement benefits and taxes were made in 1981 during the 1st session of the 97th Congress. Projections that the railroad retirement account would have an insufficient balance to issue full payments as early as the spring of 1982 prompted an agreement by representatives of railroad management and labor. This resulted in a series of changes designed to resolve the short- and long-term financial problems of the railroad retirement account. Benefit changes were subsequently enacted as part of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) and are within the jurisdiction of the Energy and Commerce Committee. Payroll tax increases were contained in the Economic

Recovery Tax Act of 1981 (Public Law 97-34) and are within the jurisdiction of the Committee on Ways and Means.

BENEFIT STRUCTURE

The 1974 Railroad Retirement Act established three benefit components. The ongoing benefit system was divided into two "tiers," one of which roughly approximates social security (tier I), and the other, an industry staff retirement benefit (tier II). The third component preserved certain benefits for employees who had qualified for both railroad retirement and social security benefits prior to the 1974 act. Railroad retirement benefits are not subject to income tax.

Tier I

These benefits are based on the social security formula, using both the employee's combined railroad earnings and non-railroad social security covered earnings up to the social security maximum wage base. The tier I benefit is roughly equal to what the social security benefit would have been had the worker's railroad employment been covered by the social security program. Because the railroad retirement tier I benefit is based on both social security and railroad employment, any social security benefit to which the railroad retirement system beneficiary is also entitled is subtracted from the tier I benefit amount. Tier I benefits are adjusted for the cost-of-living by the same percentage as social security benefits.

Tier II

Substantial changes in the method of calculation of the tier II benefit were contained in the Omnibus Budget Reconciliation Act of 1981. For new retirees, the benefits are equal to seven-tenths of one percent of the employee's average monthly earnings in the 60 months of highest earnings, times the total numbers of years of railroad service, less 25 percent of any employee dual benefit windfall amount also payable. The tier II benefits are automatically adjusted on July 1 at a rate equal to 32.5 percent of the social security automatic cost-of-living adjustment.

Dual benefit payments

One of the chief purposes of the Railroad Retirement Act of 1974 was to coordinate railroad retirement and social security benefit payments to eliminate certain dual benefits considered to be a "windfall" for persons receiving benefits under both systems.

This "windfall" was a result of the fact that the total benefit which these retirees received from both systems was higher than the benefit which they would have received if their benefit was based on their total career earnings but paid under only railroad retirement. The total benefit was higher in these cases since the social security benefit formula favors workers who have low average earnings throughout their careers. Low career average earnings result from a career of low wages from a relatively short career in social security covered employment. Workers who spend a period of time in employment not covered by social security, such as railroad employment, receive the benefit of this "tilt" in the benefit formula, even though they may very well not have had low career earnings.

As a result of the 1974 Act, "windfall" benefits were eliminated for any employees not qualified for such benefits as of January 1, 1975. They were generally preserved for those individuals who were vested under both the railroad retirement and social security systems before 1975. These "windfall" benefits are financed out of the general revenue fund through an annual appropriation rather than from the social security or railroad retirement trust funds.

The costs of these payments, which were intended to be funded solely out of U.S. general revenues, has proven to be substantially more than the amount which was estimated at the time the 1974 act was passed, and substantially more than the funds that have been appropriated annually. The following table details the amount estimated to be necessary to pay windfall benefits, the amount which has been requested and the amount actually appropriated.

This resulted in an unanticipated expense to the railroad retirement account since the full windfall benefit paid from the retirement account was only partially offset through appropriated general revenue. (See "general revenue" below for further information.)

TABLE 1.—COMPARISON OF RAILROAD RETIREMENT BOARD ESTIMATES AND APPROPRIATIONS

[Dollar amounts in millions]

	Board estimates [1]	Requested appropriations	Actual appropriations
Fiscal year:			
1976	$250	$250	$250
1977	350	250	250
1978	356	250	250
1979	363	313	313
1980	363	313	313
1981	529	350	350
1982	440	350	[2] 379

[1] The amount shown in this column is railroad retirement's revised annual estimate of the amount needed each year, on a level basis, from the year of the estimate to the year 2000, to cover expected benefit costs.

[2] Amount appropriated under a resolution making continuing appropriations which expires March 31, 1982. (See "General revenue appropriations," below, for further details.)

Source: Railroad Retirement Board.

Supplemental annuities

These are provided under the 1974 Act equal to $23 for 25 years of service plus $4 for each additional year up to a maximum of $43 per month. Unlike tier I, II and windfall benefits, this annuity is subject to Federal income tax. However, as a result of the 1981 Omnibus Budget Reconciliation Act, employees hired after October 1, 1981 will not be eligible for supplemental annuities when they retire.

Lump sum death benefits

These benefits are paid when there is no person eligible for a monthly survivor benefit in the month in which the worker died. For employees vested (10 or more years service) before 1975, the amount is based on the 1937 Act. For all other railroad workers, the amount is equivalent to that which would be paid under the Social Security Act (unless survivor benefits are paid).

Table 2 provides data concerning all railroad retirement benefits currently being paid. Table 3 presents data on new awards for September 1981.

TABLE 2.—NUMBER AND AVERAGE AMOUNT OF RETIREMENT AND SURVIVOR ANNUITIES IN CURRENT-PAYMENT STATUS AT END OF YEAR FOR SELECTED YEARS BY TYPE OF ANNUITANT

Fiscal year	Total	Type of beneficiary								
		Retired employees			Spouses	Aged widows	Disabled widows	Widowed mothers	Children	Parents
		Age	Disability	Supplemental						
Number at end of year:										
1971	1,067,121	348,737	95,364	81,611	212,075	278,741	2,972	8,076	39,096	449
1975	1,160,312	359,826	101,677	141,525	219,644	290,502	5,108	7,061	34,670	299
1977	1,201,055	364,402	99,672	169,257	230,758	292,653	6,206	6,298	31,566	243
1979	1,204,719	358,629	96,818	182,736	233,611	292,073	6,770	5,406	28,478	198
1980	1,203,265	355,983	95,218	188,111	233,916	290,315	6,999	4,985	27,288	189
1981	1,202,587	354,605	93,746	193,436	233,977	288,606	7,249	4,478	26,094	(1)
Average amount:										
1971		$201	$186	$65	$95	$114	$115	$158	$112	$110
1975		329	309	62	153	233	200	234	206	187
1977		387	355	57	178	267	228	275	248	223
1979		461	419	54	210	314	265	336	300	273
1980		526	477	53	236	361	302	392	349	310
1981		579	525	52	251	401	331	442	393	(1)

[1] Not available.

Note.—Data exclude survivor (option) annuities. On September 30, 1980, there were 259 option annuities in current-payment status averaging $98. Figures for widows include a small number of widowers.

Source: Railroad Retirement Board.

TABLE 3.—NUMBER AND AVERAGE AMOUNT OF NEW AWARDS BY BENEFICIARY TYPE, SEPTEMBER 1981

	Number	Average award (monthly)
Employee annuities:		
Retired	1,712	$740
Disability (under age 65)	317	665
Supplemental	866	43
Spouse annuities	1,572	269
Survivor benefits:		
Aged widows and widowers	1,146	490
Disabled widows and widowers	50	350
Widowed mothers and fathers	48	441
Children	148	394
Insurance lump sums	962	778
Residual payments	90	5,738
Total	5,859	

Source: Railroad Retirement Board.

FINANCING THE RAILROAD RETIREMENT SYSTEM

The railroad retirement and survivors benefits are financed by five sources of income. These are (1) payroll taxes on *monthly* railroad earnings paid by covered employees and employers; (2) a cents-per-hour tax levied on carriers only; (3) income from the social security financial interchange; (4) appropriations from general revenues; and (5) interest on investments.

Table 4 details the sources of revenue of the railroad retirement system both in dollar amounts and as a percentage of total revenues for both 1982 and 1990.

TABLE 4.—SOURCES OF RAILROAD RETIREMENT FINANCING: 1982 AND 1990

	Amounts in billions		Percent of total revenue	
	1982	1990	1982	1990
Employer contributions:				
Social security-type tier I taxes	$0.88	$1.71	15.7	19.4
Corporate-type tier II taxes	1.33	2.36	23.8	26.8
Special length-of-service supplement	.16	.17	2.8	1.9
Subtotal	(2.37)	(4.24)	(42.3)	(48.2)
Employee contributions:				
Social security-type tier I taxes	.88	1.71	15.7	19.4
Corporate-type tier II taxes	.21	.40	3.8	4.5
Subtotal	(1.09)	(2.11)	(19.5)	(24.0)
Transfer payments from social security	1.59	1.92	28.4	21.8
Federal appropriations [1]	.35	.35	6.2	4.0
Interest and other	.20	.18	3.6	2.0
Total	5.60	8.80	100.0	100.0

[1] For estimating purposes, annual appropriations for windfall benefits are assumed to remain constant at $350 million.

Note.—Details may not add to totals because of rounding.

Source: Congressional Budget Office. Derived from estimates prepared by the Railroad Retirement Board's Bureau of Research, according to economic assumptions of the Congressional Budget Office.

Payroll Taxes

The primary source of income to the railroad retirement account is payroll taxes levied on covered employers and their employees. Payroll taxes had been paid in equal shares by employers and employees from 1937 through September 1973. Currently, both employers and employees pay a "tier I" tax which is equivalent to the social security tax rate (6.7 percent in 1982). In addition, a "tier II" tax equal to 11.75 percent for employers and 2.0 percent for employees is applied to compensation paid to the railroad employees in a calendar month, subject to a maximum limitation. The annual (and monthly) limitation on taxable compensation for the purposes of the tier II tax is an amount equal to what the social security tax base would have been without regard to the ad hoc increases in the taxable wage base which were provided by the Social Security Amendment of 1977 (Public Law 95-215). Currently, the tier II annual taxable compensation base is $24,300; however, in no case does the tax apply to any amount paid in a month in excess of one-twelfth of the annual limitation ($2,025 in 1982).

Financial Interchange

The railroad retirement system and the social security programs have been coordinated financially since 1951. The purpose of the financial interchange is to place the social security trust funds in the same position they would have been in if railroad employment had been covered under social security since its inception.

Generally, under the interchange, for a given fiscal year there is computed the amount of social security taxes that would have been collected if railroad employment had been covered directly by social security. This amount is netted against the amount of benefits social security would have paid to railroad beneficiaries based on railroad and nonrailroad earnings during that period. Where social security benefits that would have been paid exceed social security taxes that would have been due, the excess, plus an allowance for interest and administrative expenses, is transferred from the social security trust funds to the railroad retirement account. If taxes exceed benefits, the transfer would be from the railroad retirement account to the social security trust funds.

TABLE 5.—AMOUNTS TRANSFERRED TO OR FROM (−) THE RAILROAD RETIREMENT ACCOUNT AND THE VARIOUS SOCIAL SECURITY TRUST FUNDS FOR FISCAL YEARS 1954 THROUGH 1983

[In millions of dollars]

	OASI	DI	HI	Total
Fiscal year:				
Through June 30, 1954	−21.1			−21.1
1955	−7.4			−7.4
1956	−5.2			−5.2
1957	−1.6			−1.6
1958	124.4			124.4
1959	282.0	−22.0		260.0
1960	318.4	−4.9		313.5
1961	331.7	5.1		336.8
1962	360.8	11.0		371.8
1963	422.5	19.6		442.1
1964	402.6	19.1		421.7
1965	435.6	23.6		459.2
1966	443.8	25.0		468.8
1967	508.0	30.6	−16.3	522.3
1968	437.6	20.4	−44.0	414.0
1969	491.5	21.3	−54.2	458.6
1970	578.8	10.4	−63.5	525.7
1971	613.0	13.2	−65.9	560.3
1972	724.3	24.2	−66.1	682.4
1973	783.0	19.5	−63.2	739.3
1974	908.6	22.3	−99.2	831.7
1975	981.8	28.5	−132.5	877.8
1976	1,212.3	26.4	−137.7	1,101.0
1977[1]	1,207.8	−0.3	−142.9	1,064.6
1978	1,588.7	29.8	−213.7	1,404.8
1979	1,447.5	29.9	−191.1	1,286.3
1980	1,442.0	−12.1	−244.3	1,185.6
1981[2]	1,585.0	29.0	−276.0	1,338.0
1982[2]	1,878.0	39.0	−359.0	1,558.0
1983[2]	2,097.0	3.0	−401.0	1,699.0
Total	21,571.4	411.6	−2,570.6	19,412.4

[1] Includes July–September 1976 transition quarter.

[2] Projections from the Old Age and Survivors and Disability and Hospital Insurance Trustee's Reports—Intermediate II–B Assumptions.

Source: Railroad Retirement Board.

The determination of the amount to be transferred through the financial interchange for a given fiscal year is made no later than June of the year following the close of the preceding fiscal year. Table 5 shows the actual operation of the financial interchange as it relates to each of the three major social security trust funds.

In order to make available to the railroad retirement account funds from the forthcoming financial interchange in the event of inadequate reserves in months prior to the transfer, the Omnibus Budget Reconciliation Act of 1981 established limited authority in the Railroad Retirement Board to request from the Secretary of the Treasury and receive from the general fund such amounts as the Board may find necessary to maintain a balance in the account sufficient to pay annuity amounts payable during the following month. The total amount of monies outstanding in the account from the general fund at any time during any fiscal year cannot exceed the total amount of monies the Board and the Trustees of the social security system estimates will be transferred under the financial interchange for such fiscal year. The rate of interest paid on amounts outstanding for any month would equal the average investment yield for the most recent auction of Treasury bills with maturities of 52 weeks. The borrowing authority was effective upon enactment.

The Omnibus Budget Reconciliation Act also contained a "benefit preservation" provision which will be activated only if the estimated amount to be borrowed against the annual financial interchange exceeds 50 percent of the interchange.

The benefit preservation mechanism, which is designed to protect the Federal Government's primary responsibility for the payment of social security benefits, has three major components:

1. The Railroad Retirement Board, the Federal agency responsible for administering RRS, must notify Congress and the President whenever borrowing authority will exceed 50 percent of the available amount. This notice will include: (a) the total amount needed and total amount available; (b) the first year benefits would exceed funds, including all available borrowing authority; and (c) the change in the benefit/revenue relationship (expressed as a percent of payroll) necessary to prevent insolvency.

2. Not later than 180 days after such a notice: (a) Representatives of rail management and labor must submit, jointly or separately, refinancing proposals to Congress and the President; and (b) The President shall submit to Congress recommendations for resolving the crisis, including a plan to phase out Federal responsibility for

RRS by covering rail employees and retirees by social security and requiring the rail industry to assume responsibility for all other remaining components of the pension plan.

3. Not later than 180 days after the "benefit preservation" feature is activated, the Board would announce the method for allocating reserves in any month in which inadequate funds precludes full payment of all benefits, with highest priority given to the payment of social security benefits.

Cents-per-hour tax

A cents-per-hour tax is used to fund the supplemental annuity benefit. This tax is levied solely on employers. The rate is determined quarterly by the Railroad Retirement Board.

General revenue appropriations

Windfall benefits are funded solely through general revenue appropriations. The Congress authorized such funding in the 1974 act through the year 2000. The total appropriated for the first 4 fiscal years for which windfall benefits were payable, 1976–1979, was $1,063 million.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established a "Dual Benefits Payments Account." Each year an amount which is appropriated for the payment of dual benefits will be placed into this account from which these payments will be made to beneficiaries. If the amount which is appropriated is insufficient to pay the full windfall benefits to all eligible beneficiaries for a full year, the Railroad Retirement Board is authorized to prorate payments from the dual benefits account so that the amounts paid do not exceed the amounts appropriated. (It has been estimated that $440 million would have to be appropriated into order to fully finance windfall benefits in fiscal year 1982. Under a continuing resolution, enacted on December 15, 1981, providing Federal funding through March 31, 1982, the fiscal year 1982 appropriation is $379 million (i.e. 86 percent of the amount which would be necessary to pay the full windfall benefits to all eligible beneficiaries)).

Interest from investments

Funds not needed immediately for benefit payments are invested in interest-bearing securities. A portion of the investment income is to be utilized to reduce the appropriations required from the general revenues for funding the windfall benefits.

FINANCIAL STATUS OF THE RAILROAD RETIREMENT ACCOUNT

One of the most important factors affecting the financial status of the Railroad Retirement System is the level of employment in the industry. The recent history of employment in the industry is as follows:

[In thousands]

1940	1,195
1945	1,085
1950	1,421
1955	1,239
1960	909
1965	753
1970	640
1975	548
1976	540
1977	546
1978	542
1979	554
1980	531
1981	505

Source: Railroad Retirement Board.

Table 6, which has been prepared by the Railroad Retirement Board, projects the balance of the account at its lowest point during the year (April 30) and the amount of the financial interchange transfer received during the year.

These projections are based on the assumptions underlying the labor-management agreement which was the basis of the 1981 legislation concerning railroad retirement. These assumptions are:

	Percentage increase over prior year		Interest rate (percent)
	Wages	Prices	
Year:			
1981	10.5	12.5	13
1982	10.0	10.0	12
1983	9.5	9.0	11
1984	9.0	8.0	10
1985	8.0	7.0	9
1986 and later	7.0	6.0	8

TABLE 6.—FUND BALANCE ON APRIL 30 OF YEAR AND FINANCIAL INTERCHANGE TRANSFER AMOUNT DURING THE YEAR UNDER VARIOUS EMPLOYMENT ASSUMPTIONS, 1981–91

[Dollar amounts are in millions]

Year	Average employment (thousands)	Financial interchange transfer	April 30 balance
Employment assumption A:			
1981	510	$1,338	$1,070
1982	490	1,554	128
1983	480	1,754	−360
1984	470	1,911	−814
1985	470	2,056	−1,201
1986	470	2,038	−1,369
1987	470	2,031	−1,550
1988	470	2,039	−1,755
1989	470	2,042	−1,968
1990	470	2,073	−2,116
1991	470	1,871	−1,977
Employment assumption B:			
1981	510	1,338	1,070
1982	480	1,554	78
1983	460	1,793	−536
1984	450	1,997	−1,150
1985	450	2,149	−1,664
1986	450	2,141	−1,970
1987	450	2,144	−2,304
1988	450	2,160	−2,678
1989	450	2,173	−3,084
1990	450	2,213	−3,448
1991	450	2,028	−3,559
Employment assumption C:			
1981	510	1,338	1,070
1982	495	1,554	149
1983	485	1,735	−290
1984	475	1,890	−711
1985	475	2,033	−1,066
1986	475	2,012	−1,202
1987	475	2,002	−1,349
1988	475	2,008	−1,516
1989	475	2,010	−1,686
1990	475	2,038	−1,784
1991	475	1,832	−1,586
Employment assumption D:			
1981	510	1,338	1,070
1982	500	1,554	169
1983	490	1,716	−223
1984	485	1,868	−600
1985	480	1,987	−888

TABLE 6.—FUND BALANCE ON APRIL 30 OF YEAR AND FINANCIAL INTERCHANGE TRANSFER AMOUNT DURING THE YEAR UNDER VARIOUS EMPLOYMENT ASSUMPTIONS, 1981–91—Continued

[Dollar amounts are in millions]

Year	Average employment (thousands)	Financial interchange transfer	April 30 balance
1986	475	1,985	−1,027
1987	470	2,002	−1,206
1988	465	2,039	−1,436
1989	460	2,075	−1,708
1990	455	2,142	−1,954
1991	450	1,989	−1,970

Note.—All assumptions other than employment levels are those on which the labor-management agreement was based.

Source: Railroad Retirement Board.

A minus sign for the April 30 balance indicates that the account will have to make use of its borrowing authority. The size of the negative number indicates the balance of the loan outstanding. In order to determine if the account has exceeded its borrowing authority or if the benefit mechanism has been triggered, the balance on April 30 is compared with the financial interchange amount in the following year.

1. If employment drops steadily to 470,000 in 1984 and stays at that level thereafter, the Board would exceed its borrowing authority under the agreement, but not until 1990.
2. If employment falls sharply to 450,000 in 1984 and remains at that level, the Board would exceed its borrowing authority by 1987. By 1990 the need for borrowing would be about $1.4 billion greater than the ability to borrow.
3. If employment falls steadily to 475,000 by 1984 and remains at that level, the Board will not exceed its borrowing authority in the projection period.
4. If employment falls slowly to 450,000 by 1991, the Board would remain within its borrowing authority through 1990, but just barely.
5. Under each employment assumption, the benefit preservation mechanism is triggered.

These tables demonstrate the sensitivity of railroad retirement financing to employment in the industry. It should be noted that each of these projections assumes a 1981 average employment of 510,000. At the time when these estimates were made (July 1981), an average level of employment equal to 510,000 seemed to be a reasonable estimate for 1981. While a recession was anticipated to begin in the latter half of 1981, the severity of the recession caused the level of employment to fall sharply in the remainder of 1981. The actual average employment in 1981 was 505,000; with the December 1981 level falling to 477,000.

Projections based on lower employment figures have a corresponding adverse affect on the financial solvency of the system.

PART 3

REVENUES

Section 1. Summary Information

This part provides summary information regarding Federal revenues and the U.S. tax system. Most, but not all, budget receipts are derived from taxes. Table 1 shows budget receipts, by source, for recent years. Table 2 indicates the relative significance of the major types of receipts. Over recent years the relative significance of corporate income taxes has declined; individual income taxes and social insurance taxes and contributions have increased as a share of the total.

Table 3 provides information on the number of tax returns, by type filed in 1980 and 1981. The gross amount of taxes collected exceeds net collections by the amount of refunds. As indicated in Table 4, individual income tax refunds in 1981 were 15 percent of gross collections.

The sources of income reported on individual income tax returns for 1980 are listed in Table 5 along with additional summary information. Nearly 94 million individual income tax returns were filed in 1980. The number of exemptions listed on these returns, 227.1 million, approximately equaled the U.S. population, though the extra exemptions for those over 65, students, and the blind result in the double counting of certain individuals in arriving at the total number of exemptions claimed. Wages and salaries represented 84 percent of reported adjusted gross income. Tax liabilities represented 15 percent of adjusted gross income.

Taxpayers itemized their deductions on nearly 31 percent of individual income tax returns in 1980. These deductions, by type for 1979, are shown in Table 6. The portion of returns with itemized deductions has been lower since 1977 than in other recent years. The reduction in the number of itemizers is the result of legislative changes in 1976 and 1978. Information on tax credits claimed by individuals as they filed their 1978 returns is shown in Table 8.

The most recently published information for corporate income tax returns is summarized in Table 9. Of the 2.2 million returns filed by active corporations for taxable year 1977, 64 percent had net income. Only 35 percent of active corporations had a tax liability, after accounting for tax credits. These 781,000 corporations paid total taxes of $56.7 billion.

TABLE 1.—BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1973–81

[In billions of dollars]

Description	1973	1975	1977	1979	1981
RECEIPTS BY SOURCE					
Individual income taxes	103.2	122.4	157.6	217.8	285.9
Corporation income taxes	36.2	40.6	54.9	65.7	61.1
Social insurance taxes and contributions:					
Employment taxes and contributions	54.9	75.2	92.2	120.1	163.0
Unemployment insurance	6.1	6.8	11.3	15.4	15.8
Contributions for other insurance and retirement	3.6	4.5	5.2	6.1	4.0
Total social insurance taxes and contributions	64.5	86.4	108.7	141.6	186.4
Excise taxes:					
Alcohol	5.0	5.2	5.3	5.5	5.6
Tobacco	2.3	2.3	2.4	2.5	2.6
Highway	5.7	6.2	6.7	7.2	6.3
Airport and airway	0.8	1.0	1.2	1.5	0
Windfall profit tax					23.3
Other	2.5	1.8	2.0	2.0	3.0
Total excise taxes	16.3	16.6	17.5	18.7	40.8
Estate and gift taxes	4.9	4.6	7.3	5.4	6.8
Customs duties	3.2	3.7	5.2	7.4	8.1
Miscellaneous receipts	3.9	6.7	6.5	9.2	13.8
Total budget receipts	232.2	281.0	357.8	465.9	599.8

Source: The United States Budget in Brief, Fiscal Year 1983, Executive Office of the President, Office of Management and Budget, p. 78.

TABLE 2.—BUDGET RECEIPTS BY SOURCE, 1973 AND 1981

	1973		1981	
	Amount (billions)	Percent of total	Amount (billions)	Percent of total
Individual income taxes	103.2	44.4	285.9	47.7
Corporation income taxes	36.2	15.6	61.1	10.2
Total social insurance taxes and contributions	64.5	27.8	182.7	30.5
Total excise taxes	16.3	7.0	40.8	6.8
Estate and gift taxes	4.9	2.1	6.8	1.1
Customs duties	3.2	1.4	8.1	1.4
Miscellaneous receipts	3.9	1.7	13.8	2.3
Total budget receipts	232.2	100.0	599.3	100.0

Source: The United States Budget in Brief, Fiscal Year 1983, Executive Office of the President, Office of Management and Budget, p. 78.

TABLE 3.—NUMBER OF RETURNS FILED, BY PRINCIPAL TYPE OF RETURN

[In thousands]

Type of return	1980	1981
Income tax returns:		
Individual	93,128	94,018
Declaration of estimated tax	8,699	30,347
Fiduciary	1,877	1,197
Partnership	1,390	1,467
Corporation	2,709	2,806
Total income tax returns	107,827	130,555
Estate tax	148	146
Gift tax	216	199
Employment tax	26,440	26,063
Exempt organization	444	409
Employee plans	792	790
Alcohol, tobacco, and firearms	547	522
Excise tax	909	971
Supplemental documents	6,064	6,817
Non-Master file returns	83	56
Grand total	143,466	166,528

Source: Commissioner of Internal Revenue, Annual Report, 1981.

TABLE 4.—NET INTERNAL REVENUE COLLECTIONS, 1981

[In millions of dollars]

Source	Gross collections	Refunds [1]	Net collections	
			Amount	Percent of total
Grand total	606,799	62,250	544,549	100.0
Corporation income taxes	73,733	12,596	61,137	11.2
Individual income taxes	332,850	[2] 48,617	284,233	52.2
Employment taxes, total	152,886	581	152,305	28.0
Old-age, survivors, disability, and hospital insurance	146,529	515	146,014	26.8
Railroad retirement	2,711	7	2,704	0.5
Unemployment insurance	3,645	59	3,587	0.7
Estate and gift taxes	6,910	124	6,787	1.2
Excise taxes	40,420	332	40,088	7.4

[1] Does not include interest paid on refunds.

[2] Refunds of Forms 1040 and 1040A including withheld taxes, minus FICA.

TABLE 5.—INDIVIDUAL INCOME TAX—SOURCES OF INCOME AND SELECTED TAX ITEMS, 1980

Items	Billions of dollars except as noted
Number of returns, total (millions)	93.6
Taxable	73.7
Nontaxable	19.9
Number of exemptions (millions)	227.1
Adjusted gross income less deficit	1,606.3
Sources of income:	
Salaries and wages	1,345.0
Pensions and annuities in adjusted gross income	43.3
Business and profession net profit less loss	54.0
Farm net profit less loss	−1.5
Partnership net profit less loss	10.7
Small Business Corporation net profit less loss	.9
Sales of capital assets net gain less loss	26.9
Sales of property other than capital assets net gain less loss	1.5
Dividends in adjusted gross income	38.0
Interest received	100.9
Rent net income less loss	.5
Royalty net income less loss	3.7
Estate or trust net income less loss	4.3
All other sources (net)	7.3
Total statutory adjustments	28.0
Total itemized deductions	214.8
Taxable income	1,273.6
Zero bracket amount	234.3

TABLE 5.—INDIVIDUAL INCOME TAX—SOURCES OF INCOME AND SELECTED TAX ITEMS, 1980—Continued

Items	Billions of dollars except as noted
Income tax before credits	254.2
Total credits	6.7
Income tax after credits	247.5
Additional tax for tax preferences	.9
Total income tax	248.4
Self-employment tax	5.5
Total tax liability	254.1

Source: U.S. Department of the Treasury, Internal Revenue Service, SOI Bulletin, Vol. 1, No. 3, Winter 1981–82.

TABLE 6.—INDIVIDUAL INCOME TAX—ITEMIZED DEDUCTIONS BY TYPE, 1979

	Number of returns (millions)	Amount (billions)
Medical and dental	18.0	12.8
Taxes paid	26.3	60.6
Contributions	24.6	22.1
Interest	24.5	73.6
Miscellaneous deductions	22.3	13.8
Net casualty or theft loss	(2.6)	(2.8)
Total	26.5	182.9
Zero bracket amount	26.2	81.9
Excess itemized deductions	26.1	100.1

Source: U.S. Department of the Treasury, Internal Revenue Service, SOI Bulletin, Vol 1, No. 1, Summer 1981, pp. 10 and 11.

TABLE 7.—INDIVIDUAL INCOME TAX RETURNS WITH ITEMIZED DEDUCTIONS, 1960–80

[In millions]

	Total individual returns [1]	Returns with itemized deductions	
		Number	Percent of total
1960	61.0	24.1	39.5
1965	67.6	27.9	41.3
1970	74.3	35.4	47.6
1972	77.6	27.0	34.8
1973	80.7	28.0	34.7
1974	83.3	29.6	35.5
1975	82.2	26.1	31.8
1976	84.7	26.0	30.7
1977	86.6	22.9	26.4

TABLE 7.—INDIVIDUAL INCOME TAX RETURNS WITH ITEMIZED DEDUCTIONS, 1960–80—Continued

[In millions]

	Total individual returns [1]	Returns with itemized deductions	
		Number	Percent of total
1978	89.9	25.8	28.7
1979	92.6	26.5	28.6
1980	93.6	28.8	30.8

[1] Through 1970, excludes returns with no adjusted income; thereafter includes returns with no adjusted income.

Source: Statistical Abstract of the United States 1980, p. 269, and U.S. Department of Treasury, Internal Revenue Service, SOI Bulletin, Vol. 1, No. 3, Winter 1981–82

TABLE 8.—INDIVIDUAL INCOME TAX—TAX CREDITS BY TYPE, 1978 [1]

	Number of returns (millions)	Amount (billions of dollars)
Child care credit	3.4	.7
Earned income credit	5.2	1.0
Used to offset income tax	(1.7)	(.2)
Used to offset other taxes	(.6)	(.1)
Refundable portion	(4.0)	(.8)
Credit for the elderly	.7	.1
Investment credit	3.9	2.9
Foreign tax credit	.3	.9
Contributions to candidates credit	3.6	.1
New jobs credit	.8	1.4
Residential energy credit	5.8	.6

[1] Excludes general tax credit (repealed by the Revenue Act of 1978) and credits claimed by less than 50,000 taxpayers.

Source: U.S. Treasury, Internal Revenue Services, Individual Income Tax Returns, Statistics of Income, 1978, pp. 93–95.

TABLE 9.—CORPORATION INCOME TAXES—RETURN CHARACTERISTICS OF ACTIVE CORPORATIONS, 1977

	Number of returns	Millions of dollars
Active corporations	2,241,317	
With net income	(1,430,675)	
Total receipts		4,102,947
Business receipts		(3,787,552)
Interest on State and local government obligations		(8,331)
Other receipts		(307,064)
Total deductions		3,883,357
Cost of sales and operations		(2,704,548)

TABLE 9.—CORPORATION INCOME TAXES—RETURN CHARACTERISTICS OF ACTIVE CORPORATIONS, 1977—Continued

	Number of returns	Millions of dollars
Other deductions		(1,178,808)
Total receipts less total deductions		219,590
Net income (less deficit)		218,931
Net income (less deficit)		(244,216)
Deficit		(25,285)
Income		212,523
Income tax		96,379
Normal tax, surtax, and alternative tax	1,020,737	(95,672)
Tax from recomputing prior-year investment credit		(438)
Tax from recomputing prior-year work incentive (WIN) credit		(2)
Additional tax for tax preferences	10,565	(267)
Foreign tax credit	6,778	26,076
U.S. possessions tax credit	654	937
Investment credit	674,429	11,011
Work incentive (WIN) credit	5,939	20
New jobs credit	176,422	1,662
Total income tax after credits	780,861	56,672

Note.—Numbers in parentheses are additive to the totals.

Source: U.S. Department of the Treasury, Internal Revenue Service, Corporation Income Tax Returns, Statistics of Income 1977, Statistics of Income 1977 (preliminary), p. 3.

PART 4

OTHER MATTERS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

Section 1. Public Debt and Debt Management
Section 2. The Federal Financing Bank
Section 3. Pension Benefit Guaranty Corporation
Section 4. Capital Construction Fund

Section 1. Public Debt and Debt Management

An increase in the gross public debt during a fiscal year is approximately equal to the Federal funds deficit plus the deficit of off-budget Federal entities. The Federal funds deficit reduced by trust fund surpluses equals the unified budget deficit. Federal funds receipts are derived mainly from taxes and are used for the general purposes of the Government. The trust funds collect certain taxes and other receipts for specified purposes, such as payment of social security benefits, in accordance with the terms of a trust agreement or statute. Thus, even if the unified budget were in balance, the public debt would still increase if the Federal funds were in a deficit position and the trust funds accumulating an offsetting surplus. In general, trust fund surpluses are invested in special issue public debt securities. Even if both Federal funds and trust funds were in balance, the gross public debt would increase if the off-budget Federal entities were in a deficit position. The largest of the off-budget Federal entities, in terms of its deficit, is the Federal Financing Bank discussed below in Section 2.

An increase in the gross public debt is not precisely equal to the Federal funds deficit plus the deficit of off-budget Federal entities because, to a limited extent, deficits can be financed by means other than borrowing. For example, if the Federal Government ends the fiscal year with a smaller cash balance than at the beginning of the year, that decline in the cash balance would substitute for borrowing from the public.

This section has focused primarily on the deficit and increases in the public debt. It is, of course, possible for the public debt to decline. For example, this would occur if a Federal funds surplus exceeded the deficit of off-budget Federal entities. If at the same time the trust funds were in a surplus position, investment of those surpluses in public debt securities would be accomplished by the Treasury not issuing new debt to replace maturing debt held by the public and instead issuing new special issues to the trust funds. In economic terms, the debt held by the public—that is the amount that excludes the debt held by trust funds—has much more significance than the total debt outstanding.

The range of possible impacts of the deficits or surpluses of Federal funds, trust funds, and off-budget Federal entities on the unified budget deficit, gross public debt and debt held by the public is summarized in the table below. For example if the Federal funds account is in deficit, the unified budget deficit will be larger, as will be the gross public debt and the debt held by the public.

	Impact on		
	Unified budget deficit	Gross public debt	Debt held by the public
Federal funds:			
Deficit	+	+	+
Surplus	–	–	–
Trust funds:			
Deficit	+	0	+
Surplus	–	0	–
Off-budget Federal entities:			
Deficit	0	+	+
Surplus	0	–	–

Table 1 provides actual information on the budget and public debt. Table 2 shows the outstanding amount of both gross public debt and debt subject to limit since 1970. The gross public debt is larger than the amount subject to limit primarily because certain debts issued by Federal agencies are not, by statute, subject to the debt ceiling. The amount of such agency debt outstanding has been reduced in recent years. For a more complete discussion of the budget and debt concepts see special analyses C and E in Special Analyses, Budget of the United States Government, Fiscal Year 1983.

Statutory limitations have traditionally been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount for each debt issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. The latter type of limitation has been in effect since 1941.

Since 1971, the statutory debt limit has consisted of a permanent limit of $400 billion plus a temporary increment that usually expired in a year or less. Since the debt subject to limit has been more than $400 billion, new legislation has been required no later than the expiration date of each temporary increment. Three times in recent years the temporary increment has expired without having been extended, so for a few days on each occasion the Federal debt exceeded the statutory limit. The validity of debt issued prior to the expiration of the temporary ceiling was not affected, but the Treasury Department had to suspend all sales of savings bonds and other debt securities until a new temporary ceiling was enacted.

The debt ceiling was most recently increased to $1,079.8 billion, for the period October 1, 1981, through September 30, 1982, by Public Law 97-45, approved September 30, 1981. This Act was passed under rules enacted in 1979 that integrate the House's procedure for setting of the public debt limit with the congressional budget process. Under this procedure (House Rule XLIX), when the conference report on a budget resolution is adopted and specifies a public debt limit for a fiscal year which differs from the statutory limit in effect, the Enrolling Clerk of the House prepares a joint resolution which changes the current statutory public debt limit consistent with the level of public debt specified in the budget resolution. The vote by which the House agreed to the conference report on the budget resolution is deemed to have been a vote in favor of the joint resolution on the public debt. If there is no conference report, the House vote to adopt the budget resolution applies. The joint resolution is then sent to the Senate for legislative action. After final passage by both Houses, the joint resolution is transmitted to the President for his signature.

As part of this process, the Committee on Ways and Means submits a specific recommendation in its March 15th report to the House Budget Committee for the appropriate public debt limit to be included in the budget resolution.

This procedure does not preclude changing the public debt limit at any time by passing a public debt limit bill that originates in the Committee on Ways and Means.

The outstanding debt subject to limit at the end of January 1982 was $1,039.3 billion, $40.5 billion below the statutory limit of $1,079.8 billion.

Table 3 provides information on the ownership of the public debt. Interest received on the public debt held by Federal Reserve Banks is in excess of the costs of operating those banks. Excess earnings of the Federal Reserve Banks are paid over to the Treasury and classified as miscellaneous budget receipts. During 1981, these payments totaled $12.8 billion.

Table 4 shows the composition of interest-bearing public debt by kind of obligation. Current law constrains the composition of the debt in two ways. First, the rate of interest on savings bonds may not be increased by more than 1 percentage point in any six-month period. This limitation was enacted in 1980 (Public Law 96-377) to replace a prior law ceiling of 7 percent. The savings bond rate was increased to 8 percent on November 1, 1980, and to the current rate of 9 percent on May 1, 1981. The Administration is presently seeking legislation to repeal the interest rate ceiling on savings bonds.

The second limitation on the composition of the debt is a 4½ percent interest rate ceiling on bonds with a maturity at date of issue of 10 years or more. Under current law, $70 billion of long-term bonds are exempt from the 4½ percent interest rate ceiling. This limitation was most recently revised by Public Law 96-377 which increased the limitation from $50 billion to $70 billion.

The maturity distribution of the debt is shown in Table 5. This distribution can be summarized in terms of the average maturity of the debt. Debt management primarily involves decisions regarding the maturity compositions of the debt. The longer the average maturity of the debt, the smaller the amount of maturing securities that must be refinanced with new issues at any one time. Smaller refunding operations are less likely to disturb capital markets. On the other hand, lengthening the average maturity of the debt requires issuing more longer term securities that are competitive with securities issued to finance private capital formation. Longer term securities typically carry higher interest rates than short-term securities so that lengthening the average maturity of the debt may result in higher interest payments.

TABLE 1.—BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1973–81

[In billions of dollars]

Description	1973	1975	1977	1979	1981
Receipts:					
Federal funds	161.4	187.5	241.3	316.4	410.4
Trust funds	92.2	118.6	152.8	189.6	239.4
Interfund transactions	−21.3	−25.1	−36.3	−40.1	−50.6
Total budget receipts	232.2	281.0	357.8	465.9	599.3
Outlays:					
Federal funds	187.0	240.1	295.8	362.4	475.2
Trust funds	81.4	111.2	143.3	171.3	232.6
Interfund transactions	−21.3	−25.1	−36.3	−40.1	−50.6
Total budget outlays	247.1	326.2	402.7	493.6	657.2
Outlays, off-budget Federal entities	(.1)	(8.1)	(8.7)	(12.5)	(21.0)
Outlays including off-budget	(247.1)	(334.2)	(411.4)	(506.1)	(678.2)
Surplus or deficit (−):					
Federal funds	−25.6	−52.6	−54.5	−46.1	−64.7
Trust funds	10.7	7.4	9.5	18.3	6.8
Total surplus or deficit (−)	−14.8	−45.2	−45.0	−27.7	−57.9
Deficit (−), off-budget Federal entities	(−.1)	(−8.1)	(−8.7)	(−12.5)	(−21.0)
Surplus or deficit (−) including off-budget	(−14.9)	(−53.2)	(−53.6)	(−40.2)	(−78.9)
Debt outstanding, end of year:					
Gross Federal debt	468.4	544.1	709.1	833.8	1,003.9
Held by the public	343.0	396.9	551.8	644.6	794.4

Source: The United States Budget in Brief, Fiscal Year 1983, Executive Office of the President, Office of Management and Budget, p. 76.

TABLE 2.—OUTSTANDING PUBLIC DEBT AT END OF LAST 12 FISCAL YEARS

[In billions of dollars]

Fiscal year	Gross public debt	Debt subject to limit [1]
1970	382.6	372.6
1971	409.5	398.6
1972	437.3	427.8
1973	468.4	458.3
1974	486.2	475.2
1975	544.1	534.2
1976	631.9	620.6
1977	709.1	700.0
1978	780.4	772.7
1979	833.8	827.6
1980	914.3	908.7
1981	998.8	998.8

[1] Includes FNMA participation certificates issued in fiscal year 1968.

Source: Background and Issues Relating to the Public Debt Limit, Joint Committee on Taxation, January 30, 1981, p. 25 and Budget of the United States Government Fiscal Year 1983 p. 23.

TABLE 3.—ESTIMATED OWNERSHIP OF PUBLIC DEBT SECURITIES, 1967–81

[Par values; [1] billions of dollars]

	Total public debt securities									
				Held by private investors						
End of fiscal year	Total [2]	Held by Government accounts	Held by Federal Reserve Banks	Total [3]	Commercial banks [4]	Mutual savings banks and insurance companies	Corporations [5]	State and local governments [6]	Individuals [7]	Miscellaneous investors [8]
1970	370.1	95.2	57.7	217.2	52.6	10.4	8.5	29.0	81.8	35.0
1971	397.3	102.9	65.5	228.9	61.0	10.3	7.4	25.9	75.4	49.1
1972	426.4	111.5	71.4	243.6	60.9	10.2	9.3	26.9	73.2	63.2
1973	457.3	123.4	75.0	258.9	58.8	9.6	9.8	28.8	75.9	76.0
1974	474.2	138.2	80.5	255.6	53.2	8.5	10.8	28.3	80.7	74.2
1975	533.2	145.3	84.7	303.2	69.0	10.6	13.8	31.7	86.8	91.3
1976	620.4	149.6	94.4	376.4	92.5	16.0	24.7	39.3	96.2	107.7
1977	698.8	155.5	104.7	438.6	99.8	20.5	21.2	48.2	106.5	142.4
1978	771.5	167.9	115.3	488.3	94.4	21.2	18.1	63.8	113.9	176.9
1979	826.5	187.7	115.5	523.4	92.5	21.5	22.1	66.5	115.5	205.3
1980	907.7	197.7	120.7	589.2	109.7	24.3	25.9	77.0	123.0	229.3
1981	997.9	208.1	124.3	665.4	112.2	26.2	32.8	86.2	140.3	262.7

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[1] U.S. savings bonds, series A–F and J, and U.S. savings notes are included at current redemption value.

[2] As of July 31, 1974, public debt outstanding has been adjusted to exclude the notes of the International Monetary Fund to conform with the Budget presentation. This adjustment applies to the 1967–79 data in this table.

[3] For comparability with 1975–79 published data, published data for 1967–74 have been adjusted to exclude notes of the International Monetary Fund. These adjustments amounted to $3.3 billion in 1967, $2.2 billion in 1968, and $0.8 billion in each year 1969 through 1974. These adjustments were necessary in order to add to the total public debt figures as published by the Department of the Treasury.

[4] Includes commercial banks, trust companies, and stock savings banks in the United States and Territories and island possessions; figures exclude securities held in trust departments.

[5] Exclusive of banks and insurance companies.

[6] Includes trust, sinking, and investment funds of State and local governments and their agencies, and of Territories and possessions.

[7] Includes partnerships and personal trust accounts.

[8] Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts and government-sponsored agencies, and investments of foreign balances and international accounts in the United States.

Note.—Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977), the fiscal year is on an October 1–September 30 basis.

Source: Economic Report of the President, 1982 p. 325.

TABLE 4.—INTEREST-BEARING PUBLIC DEBT SECURITIES BY KIND OF OBLIGATION, 1970–81

[In billions of dollars]

End of fiscal year	Total interest-bearing public debt securities	Marketable				Nonmarketable				
		Total	Treasury bills	Treasury notes	Treasury bonds[1]	Total	U.S. savings bonds	Foreign government and public series[2]	Government account series	Other[3]
1970	369.0	232.6	76.2	93.5	63.0	136.4	51.3	4.8	76.3	4.1
1971	396.3	245.5	86.7	104.8	54.0	150.9	53.0	9.3	82.8	5.8
1972	425.4	257.2	94.6	113.4	49.1	168.2	55.9	19.0	89.6	3.7
1973	456.4	263.0	100.1	117.8	45.1	193.4	59.4	28.5	101.7	3.7
1974	473.2	266.6	105.0	128.4	33.1	206.7	62.0	25.0	115.4	4.3
1975	532.1	315.6	128.6	150.3	36.8	216.5	65.5	23.2	124.2	3.6
1976	619.3	392.6	161.2	191.8	39.6	226.7	69.7	22.0	130.6	4.9
1977	697.6	443.5	156.1	241.7	45.7	254.1	75.4	21.8	140.1	16.8
1978	767.0	485.2	161.0	267.9	56.4	281.8	79.8	21.7	153.3	27.1
1979	819.0	506.7	161.4	274.2	71.1	312.3	80.4	28.1	176.4	27.4
1980	906.4	594.5	199.8	310.9	83.8	311.9	72.7	25.2	189.8	24.2
1981	996.5	683.2	223.4	363.6	96.2	313.3	68.0	20.5	201.1	23.7

[1] Includes Treasury bonds and minor amounts of Panama Canal and postal savings bonds.

[2] Nonmarketable certificates of indebtedness, notes, bonds, and bills in the Treasury foreign series of dollar-denominated and foreign-currency denominated issues.

[3] Includes depository bonds, retirement plan bonds, Rural Electrification Administration bonds, State and local bonds, and special issues held only by U.S. Government agencies and trust funds and the Federal home loan banks.

Note.—Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977) the fiscal year is on an October 1–September 30 basis.

Source: Economic Report of the President, 1982, p. 324.

TABLE 5.—MATURITY DISTRIBUTION AND AVERAGE LENGTH OF MARKETABLE INTEREST-BEARING PUBLIC DEBT SECURITIES HELD BY PRIVATE INVESTORS, 1970–81

[Dollars in billions]

End of fiscal year	Amount outstanding, privately held	Maturity class					Average length	
		Within 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and over	Years	Months
1970..	$157.9	$76.4	$57.0	$9.3	$7.9	$8.3	3	8
1971..	161.9	74.9	58.6	14.5	6.4	7.6	3	6
1972..	166.0	79.5	57.2	16.0	6.4	6.9	3	3
1973..	167.9	84.0	54.1	16.4	8.7	4.6	3	1
1974..	164.9	87.2	50.1	14.2	9.9	3.5	2	11
1975..	210.4	115.7	65.9	15.4	8.9	4.6	2	8
1976..	279.8	151.7	89.2	24.2	8.1	6.7	2	7
1977..	326.7	161.3	113.3	33.1	8.4	10.5	2	11
1978..	356.1	163.9	133.0	33.5	11.4	14.8	3	3
1979..	380.5	181.9	127.6	32.3	18.5	20.3	3	7
1980..	463.7	220.1	156.2	38.8	25.9	22.7	3	9
1981..	549.9	256.2	182.2	48.7	32.6	30.1	4	3

Note.—All issues classified to final maturity. Through fiscal year 1976, the fiscal year was on a July 1–June 30 basis; beginning October 1976 (fiscal year 1977), the fiscal year is on an October 1–September 30 basis.

Source: Economic Report of the President, 1982, p. 326.

Section 2. The Federal Financing Bank

LEGISLATIVE HISTORY

The Federal Financing Bank (FFB) was established by Public Law 93-224 after favorable consideration by the House Committee on Ways and Means and the Senate Committee on Banking, Housing and Urban Affairs. The House and Senate agreed to the conference report on December 19, 1973. (House Reports 93-299, Committee on Ways and Means and 93-700, Conference Committee, and Senate Report 93-166, Committee on Banking).

OPERATIONS OF THE FFB

The FFB was created as an off-budget Federal agency in the Treasury Department as a means of coordinating Federal borrowing efforts, reducing the costs of Federal borrowing from the public, and minimizing the disruption of Federal borrowing in the private markets. At the time the FFB was established, Federal credit programs had expanded to the point that some Federal financing was going to the market every few days. Accordingly, the FFB was authorized to purchase the obligations of any Federal agency and obligations guaranteed by Federal agencies. The FFB began operations in May 1974. Although the FFB was authorized to borrow in its own name in the private markets, it has done so only once. Since then, the FFB has borrowed directly from the Treasury, and it in turn has borrowed that amount in addition to the borrowing needed to finance the budget deficit. Hence, the Federal debt is increased as the Treasury borrows to accommodate the FFB.

The FFB's outstanding holdings have grown dramatically, from $35 billion in fiscal year 1977 to $64 billion in fiscal year 1979 and to $107.8 billion in fiscal year 1981. Much of this growth has occurred in the purchase of Federally-guaranteed loans. Because of the process used in purchasing new guaranteed loans, FFB purchases of such guaranteed loans have the effect of converting agency guaranteed loans into a direct off-budget loan of the Federal government. When the FFB purchases the loan assets of other Federal agencies, the effect is to transfer the direct agency loan into an off-budget loan of the FFB.

There is no statutory limit on the magnitude of the FFB's operations. Accordingly, the only controls are indirect and result from whatever limits may be imposed in the authorizations or appropriations processes on the credit activities of other Federal agencies. Since 1980, the Administration and Congress have been working to develop a more comprehensive system for controlling Federal credit activities in the budget process. The Administration proposes appropriations limits on new direct loan obligations and loan guarantee commitments as part of the budget process. These requests are then acted upon by Congress through regular appropriations bills. Presently, however, limits have been proposed for less than half the Federal credit budget.

OUTLAYS AND ACQUISITIONS

Table 1 illustrates that FFB annual outlays have grown from $10.7 billion in fiscal year 1978 to $21 billion in fiscal year 1981. Over the same period, the FFB's outstanding portfolio has grown from $48 billion to $108 billion. Annual acquisitions have ranged over the period from $15 billion to over $30 billion.

Table 2 contains a distribution of FFB annual outlays by Federal agency or program. Actual outlays are shown for fiscal years 1979, 1980, and 1981. As these data illustrate, FFB's outlays are devoted primarily to the credit programs of the Farmers Home Administration and the Rural Electrification Administration and to foreign military sales.

TABLE 1.—FEDERAL FINANCING BANK ACTIVITIES

[In millions of dollars]

	Fiscal year—			
	1978	1979	1980	1981
New acquisitions	15,309	16,045	22,188	30,269
Net outlays	10,695	13,282	14,365	20,956
Outstandings	48,077	64,211	83,072	107,799

Source: Special Analysis F, Table F-4, Budget of the United States, Fiscal Years 1980-82, and Table F-5, Budget of the United States, Fiscal Year 1983.

TABLE 2.—DISTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS

[In millions of dollars]

Description	1979	1980	1981
Outlays from direct loans, by agency or programs:			
Farmers Home Administration: Certificates of beneficial ownership	8,805	6,881	10,860
Rural Electrification and Telephone revolving fund:			
Certificates of beneficial ownership	586	689	683
New originations	1,735	2,498	3,918
Foreign military sales credit	1,293	1,932	1,945
Student Loan Marketing Association	530	1,070	1,955
Housing and Urban Development:			
Community Development	5	34	35
Low rent public housing		119	810
Transportation: Railroad programs	−25	161	250
National Aeronautics and Space Administration	184	107	111
Small business investment companies	86	142	119
Tennessee Valley Authority: Seven States Energy Corporation		685	237

TABLE 2.—DISTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS—Continued

[In millions of dollars]

Description	1979	1980	1981
Other	84	47	33
Subtotal, outlays from direct loans	13,282	14,365	20,956
Interest, transfer of surplus, and administrative expenses	−110	148	79
Total, FFB outlays	13,172	14,513	21,035

Source: U.S. Budget, Fiscal Years 1981–83.

Section 3. Pension Benefit Guaranty Corporation

LEGISLATIVE HISTORY

The Pension Benefit Guaranty Corporation (PBGC) was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (88 Stat. 829, Public Law 93-406) to protect the retirement income of plan participants and their beneficiaries covered under private sector, defined benefit pension plans. Public Law 96-364 requires that the Corporation's receipts and disbursements are to be on-budget and included in the Government's budget totals.

EXPLANATION OF THE CORPORATION AND ITS FUNCTIONS

Administration

The Pension Benefit Guaranty Corporation is a wholly owned Government corporation, administered by a board of directors, the chairman being the Secretary of Labor; other directors being the Secretary of Commerce and the Secretary of the Treasury. ERISA provides for a 7-member Advisory Committee, appointed by the President, for staggered 3-year terms. The Advisory Committee is to advise the PBGC as to its policies and procedures relating to the appointment of trustees in termination proceedings, investment of moneys, plan liquidations, and other matters as requested by the PBGC.

Plan Termination Insurance Generally

Individuals protected by the pension plan termination insurance program (Title IV of ERISA) are participants and beneficiaries of defined benefit pension plans that either affect interstate commerce or are qualified under the Internal Revenue Code. Only vested benefits are insured. Pension plans specifically excluded from the plan termination insurance program are government and church plans, individual account plans (i.e., defined contribution plans such as profit-sharing, money purchase, thrift and savings, and stock bonus plans), and plans of fraternal societies financed entirely by member contributions.

A. Single-Employer Plans

Terminated single employer plans are taken over by the PBGC and a trust fund is established for plans taken into trusteeship. The PBGC assumes control of the plan assets and takes responsibility for the expected plan liability. The trust pays the share of benefit payments actually funded by plan assets and employer liability. The balance is paid by the revolving funds.

Pension benefits for vested employees under defined benefit plans are guaranteed by the PBGC. The limitation on insured benefits under single employer plans is the lesser of 100 percent of the employee's wages or $1,261 a month. The dollar amount is adjusted annually to reflect changes in the Social Security contribution and benefit base.

B. Multi-Employer Plans

For multiemployer pension plans, the PBGC insures plan insolvency rather than plan termination. Financially troubled multiemployer plans may reorganize and adjust benefits under regulations of the PBGC which may extend loans to enable the plans to continue paying benefits.

Different benefit guaranty levels exist for participants in multiemployer pension plans. As a result of the Multiemployer Pension Plan Amendments Act of 1980 (Public Law 96-364), only the first $5 of the monthly benefit accrual rate is 100 percent guaranteed for each year of a participant's service, and 75 percent of the next $15 of basic monthly benefits is guaranteed. (The 75 percent guaranty is reduced to 65 percent for plans that do not meet specified funding requirements.)

Financing

The PBGC is required by ERISA to be self-supporting. Sources of financing are insurance premiums from on-going defined benefit pension plans, assets from terminated plans, investment income and employer liability. Any change in the PBGC's insurance premium rate for single employer pension plans must be approved by a joint resolution of Congress. The PBGC may increase the premium rate for multiemployer plans up to certain limits imposed by law. The financial structure of PBGC's programs includes both revolving and trust funds, borrowing authority, and other sources of income.

A. Revolving Funds

Four revolving funds are employed to insure basic and non-basic pension plan benefits. One fund is used in connection with the basic benefits and contingent liability insurance programs related to single employer plans. A second fund is used in connection with the basic benefits and contingent liability insurance programs related to multiemployer plans. A third fund is associated with nonbasic benefits insurance programs related to single employer plans. A similar fund, the fourth revolving fund, is used in connection with non-basic benefits insurance programs for multiemployer plans.

B. Trust Funds

(1) *Plan Assets.* The assets of plans for which PBGC has become trustee are the primary source of funding for the trust fund.

(2) *Employer Liability.* An employer sponsoring a covered pension plan that terminates with insufficient assets to pay benefits is liable for up to 30 percent of the employer's net worth in the case of single employer plans, and in the case of multiemployer plans, an amount equal to an employer's share of the plan's total unfunded vested liability determined under the basic rule or one of the alternative rules which the plant may adopt.

(3) *Investment Income.* Assets of plans and employer liability collections are invested in a diversified portfolio of private and public sector securities to realize the highest possible rate of return consistent with an appropriate level of risk for the type of program administered.

C. Sources of Income

(1) *Insurance Premiums.* The principal source of revenue for the plan termination insurance program is premiums required to be paid by ongoing covered plans. The PGBC is required to prescribe insurance premium rates and coverage schedules to provide sufficient revenues to carry out its title IV functions, including the payment of guaranteed benefits and administrative expenses. Premiums for each participant in a single employer plan are set at $2.60. Multiemployer plans are assessed a per capita premium rate beginning with $1.00 increasing to $1.40 for the first four plan years beginning after September 26, 1980; $1.80 for the fifth and sixth plan years; $2.20 for the seventh and eighth plan year; and $2.60 for the ninth and succeeding plan years.

D. Borrowing Authority

In addition to the premium and investment incomes which are generated for the revolving funds, the PGBC is authorized to borrow up to $100 million from the United States Treasury to carry out its responsibilities.

Termination insurance programs cover 33 million participants and beneficiaries in defined benefit pension plans.

TABLE 1.—PBGC BUDGET AUTHORITY AND OUTLAYS

[In millions of dollars]

	Fiscal years—			
	1978	1979	1980	1981 (estimate)
Federal outlays	−32	−39	−27	−37
Budget authority	0	0	0	0

Source: Budget of the United States, Appendix, Fiscal Years 1980, 1981 and 1982.

TABLE 2.—PBGC TRUSTEESHIPS

Recipients	1978	1979	1980	1981
Plan in PBG trusteeship	266	389	509	660
Participants with guaranteed benefits in trusteed plans	27,000	42,676	53,176	72,250
Potential plan trusteeships pending	260	259	169	132

Source: Pension Benefit Guaranty Corporation, Office of Financial Operations.

TABLE 3.—STATUS OF CORPORATION FUNDS [1]

[In millions of dollars]

	Fiscal year—			
	1978	1979	1980	1981
Corporation liabilities under terminated plans:				
Net liability incurred—terminated plans	183.5	238.1	234.2	241.4
Provision for pending terminations	36	25	71	65.6
Other	17.4	15.3	21.5	18.7
Total	237	278.4	326.6	325.7
Assets of Trust Funds:				
Investments (and cash)	68.3	105.3	173	213.0
Due from PBGC	219.5	275.1	305.2	293.2
Due from employers	39.6	44.7	49.5	49.8
Assets of terminated plans	46.8	49.5	67.2	85.7
Other	3.5	9.2	11	12.7
Total	377.8	483.9	605.9	654.4

[1] Details may not add due to rounding.

Source: Budget of the United States, Appendix, Fiscal Years 1981, 1982, 1983.

Section 4. Capital Construction Fund

LEGISLATIVE HISTORY

The Merchant Marine Act of 1936, as originally enacted, contained provisions providing preferential tax treatment for shipowners who establish Capital Construction Funds (CCF). Numerous amendments to the provisions have been adopted over the years. In 1970, the Merchant Marine Act was amended to expand the coverage of the provisions of a Capital Construction Fund and to lay out more specifically the tax treatment under these provisions. (Prior to 1970, the tax-deferred construction fund was available only to U.S. ship operators in subsidized foreign trade; the 1970 amendments extended the use of the provisions to operators in unsubsidized foreign trade as well and, in addition, to operators in the Great Lakes trade, the non-contiguous domestic trade—such as that with Alaska, Hawaii, and Puerto Rico—and in the fisheries of the United States.) Under the procedural rules adopted by the House in 1974 (H. Res. 988) which specifically established the jurisdiction of each House committee, it is clear that jurisdictional responsibility for the tax aspects of Capital Construction Funds fall within the jurisdiction of the Committee on Ways and Means.

GENERAL EXPLANATION

Any citizen of the United States owning or leasing one or more eligible vessels may enter into an agreement with the Secretary of Commerce to establish a Capital Construction Fund with respect to any or all such vessels.

Under the Capital Construction Fund provisions, any U.S. shipowner can defer the tax on income from the operation of "eligible vessels" if the shipowner deposits that income into a capital construction fund established to accumulate funds for the acquisition (including construction and reconstruction) of "qualified vessels." Income from amounts deposited in a Fund are not taxed currently. In addition, no tax is imposed on amounts from the fund if the amounts are withdrawn to acquire a qualified vessel. (The tax is payable, with interest, from the date of deposit if the funds are used for any other purpose.) Earnings and profits of the firm are determined without regard to the Capital Construction Fund provisions. Excess accumulated earnings (for purposes of applying the accumulated earnings tax under Internal Revenue Code section 531) are computed without taking amounts in the fund into account. When withdrawals from the Capital Construction Fund are used to acquire, construct, or reconstruct a qualified vessel, the tax basis (for the purpose of determining the gain on the sale or depreciation deductions) of the vessel is reduced to the extent the cost of acquisition is attributable to tax-deferred income or gains deposited in the Fund or to the tax-exempt earnings of the Fund. Thus, the deferred tax will in effect be recaptured by the Federal Government over the recovery period of the acquired vessel as a result of its reduced basis for purposes of computing recovery allowances (unless, of course, those earnings are redeposited in the Capital Construction Fund for the acquisition of other vessels). For purposes of determining the amount of investment tax credit allowable for withdrawals from the Capital Construction Fund, Internal Revenue Code section 46(g) deems the amount of the qualified investment to be 50 percent of the withdrawal.

To be an eligible vessel (the earnings of which may be tax-deferred), a vessel (1) must have been constructed or reconstructed in the United States, (2) must be documented under U.S. law, and (3) must be operated in the foreign or domestic commerce or fisheries of the United States. Under present law, qualified vessels (those that can be acquired with amounts withdrawn from a capital construction fund) include vessels (1) constructed or reconstructed in the United States, (2) documented under U.S. law, and (3) operated in the foreign, Great Lakes, fisheries, or non-contiguous domestic trade (e.g., U.S. mainland to Hawaii or Alaska) of the United States.

The statutory provisions relating to Capital Construction Funds is located at 46 U.S.C. 1177.

The "Estimates of Federal Tax Expenditures for Fiscal Years 1981-86" (published by the Joint Committee on Taxation on March 16, 1981) estimates the loss of Federal revenue due to the deferral of tax on shipping companies as follows (millions of dollars):

	Revenue loss
Fiscal years:	
1981	75
1982	75
1983	80
1984	90
1985	95
1986	105

APPENDIX A

SELECTED ECONOMIC AND POVERTY DATA

TABLE 1.—SELECTED ECONOMIC DATA

	1970	1975	1980	1981
Poor and near-poor data:				
Poverty threshold (nonfarm):				
Family of 5	$4,680	$6,499	$9,960	[p]$10,996
Family of 4	3,968	5,500	8,410	[p]9,285
Family of 3	3,099	4,293	6,570	[p]7,253
Family of 2	2,525	3,506	5,360	[p]5,917
Individual at least 65	1,861	2,581	3,950	[p]4,361
Lower-level BLS budget:				
Urban family of 4 [1]	6,960	9,588	12,585	14,044
Retired couple	3,109	4,501	6,023	6,644
Percent poor: [2]				
Total population	12.6	12.3	11.6	13.0
Aged (65 and over)	24.5	15.3	15.1	15.7
Children	14.9	16.8	16.1	17.9
Female headed households	38.2	34.6	33.8	NA
Wages:				
Average manufacturing wage [3]	$3.35	$4.83	$7.27	$7.94
Federal minimum wage	$1.60	$2.30	$3.10	$3.35
Average annual wages and salaries [4]	$6,231	$8,504	$12,225	$13,196
Unemployment rate (percent):				
Total	4.1	8.5	7.1	[p]7.6
Insured unemployment	3.4	6.1	3.8	3.5
Income:				
Median family income [2]	$9,867	$13,719	$19,684	$21,023
Gross national product (GNP) (billions):				
Current dollars	$993	$1,549	$2,627	[p]$2,922
Constant 1972 dollars	$1,086	$1,234	$1,481	[p]$1,510
Wages and salaries as a percent of GNP	55	52	51	[p]51
Population:				
Total residents (millions)	[5] 203.2	[6] 213.1	[7] 222.1	[8] 225.1
Under 18 years	69.7	66.3	58.5	58.9
18 through 64 years	113.6	124.4	138.7	140.8
65 and over	20.0	22.4	24.9	25.4

[1] Autumn of preceding year.
[2] Data in the 1980 and 1981 columns are for 1979 and 1980, respectively.
[3] Includes overtime.
[4] Full-year equivalent for total private nonagricultural workers.
[5] April.
[6] July.
[7] July 1980.
[8] July 1981.
[p] Preliminary.

The Receipt of Income Assistance by Jobless Persons in 1975

Table 2 depicts the distribution of persons who reported in March 1976 that they had been unemployed sometime during 1975 by receipt of income assistance and poverty ratio. The receipt of income assistance is defined to include UI, Food Stamps, AFDC, SSI, and possible combinations of these programs. The poverty ratio is the person's family income divided by the official poverty level for his family size, which was $5,500 for an urban family of four in 1975. For example, four-person urban families with incomes of $4,000, $5,500, and $11,000 would have poverty ratios of 0.73, 1.00, and 2.00, respectively.

TABLE 2.—RECEIPT OF INCOME ASSISTANCE BY FAMILY POVERTY RATIO OF PERSONS WHO REPORTED IN MARCH 1976 THAT THEY HAD BEEN UNEMPLOYED IN 1975

[Persons in thousands]

Programs	Poverty ratio [1]						
	Less than 1.00	1.00 to 1.50	1.50 to 2.00	2.00 to 3.00	3.00 to 5.00	At least 5.00	Total [2]
AFDC only	89	34	11	15	3	1	152
Food stamps only	742	374	205	168	63	11	1,561
Federal SSI only	14	15	10	5	10	3	58
State SSI only	(3)	2	2	6	1	(3)	12
UI only	329	544	819	1,823	2,191	804	6,511
AFDC and food stamps	415	102	38	28	10	3	594
Federal SSI and food stamps	19	10	3	3	1	0	36
State SSI and food stamps	3	1	0	1	(3)	0	5
UI and food stamps	231	293	226	198	76	12	1,037
UI and AFDC	8	6	5	7	2	1	29
UI, AFDC, and food stamps	36	43	14	10	4	0	107
Other combinations	9	8	8	8	7	1	41
None of the above	1,289	1,195	1,319	2,579	3,012	1,259	10,653
Total [2]	3,184	2,627	2,661	4,851	5,380	2,096	20,795

[1] The poverty ratio is the ratio of family income to the official poverty figures for the appropriate family size. For example, the poverty level for an urban family of four in 1975 was $5,500. If three urban families of four had family income of $4,000, $5,500, and $11,000, their poverty ratio would be 0.73, 1.00, and 2.00, respectively.

[2] Figures may not add to totals because of rounding.

[3] Less than 500.

Source: Survey of Income and Education (SIE).

An estimated 21 million persons were unemployed sometime during 1975. About half were reported to have received some kind of income assistance.[1] Ninety percent of the 10.1 million persons received either UI, Food Stamps, or both. About 64 percent received UI only, 15 percent received Food Stamps only, and 10 percent received both. The remaining 11 percent mainly received AFDC, AFDC and Food Stamps, or AFDC, Food Stamps, and UI.

Eighty-five percent of the 21 million people were not classified as poor in 1975, despite experiencing difficulty finding a job or being laid off. In other words, only 15 percent of the 21 million persons were in families classified as poor or had poverty ratios below 1.0. Moreover, only 28 percent had poverty ratios below 1.5.

Different pictures emerge when income assistance recipients are compared to nonrecipients. Nineteen percent of the income assistance recipients were classified as poor compared to 12 percent for nonrecipients. Moreover, 33 percent of the income recipients had poverty ratios equal to less than 1.5 compared to 23 percent for the nonrecipients. Sixty-eight percent of the poor income assistance recipients were not receiving UI, however. About 7 percent of those receiving UI only were classified as poor, while 64 percent of those who received AFDC and Food Stamps were classified as poor.

CBO POVERTY STUDY: POVERTY STATUS OF FAMILIES UNDER ALTERNATIVE DEFINITIONS OF INCOME

During the past decade, public expenditures for social welfare programs have grown four-fold—from $77.2 billion in 1965 to $286.5 billion in 1975. At the same time, according to official poverty statistics, the percentage of families in poverty has declined by only about 30 percent.

Today, Federal, State, and local government income-transfer payments account for roughly 60 percent of all social welfare expenditures. The three classes of these expenditures are: (1) social insurance programs, such as social security and unemployment insurance; (2) cash assistance programs, such as aid to families with dependent children and supplemental security income; and (3) in-kind programs, such as food stamps and medicaid. Most of these expenditures are received by the public in general, not just by persons in poverty.

In fiscal year 1976, social insurance program expenditures, which are designed to replace reduced income, accounted for 68 percent of all social welfare expenditures. Only about a third, however, went to those families who were in the lowest 20 percent (lowest quintile) of the income distribution. Cash assistance accounted for 10 percent of all income-transfer payments and in/kind tansfers for 22 percent. Cash assistance and in-kind transfers are generally intended to benefit only the low-income population, and more than 50 percent of these benefits were in fact paid to families in the bottom quintile.

The income concept used to measure poverty in the official statistics is that of the Bureau of the Census. It is basically *money income before paying taxes.* On this basis, Census estimated that, in calendar year 1975, 13.8 percent of families (including single-person families) were poor. However, if in-kind income is included, taxes are taken out, and the Census data base is adjusted for underreporting of incomes, a very different picture emerges.

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[1] The Survey of Income and Education (SIE) is the data source. Like all surveys of this kind, the receipt of income assistance is underreported.

In fiscal year 1976, without any public transfer payments or taxes, approximately 20.2 million families would have been poor—roughly one out of every four families. When public cash transfers are counted—the Census concept of income—the incidence of poverty is more than halved to 9.1 million families (11.4 percent of all families). If in-kind transfers are included and taxes are taken out, 5.4 million families remain in poverty (6.9 percent of all families).[2] This represents about a 75 percent reduction in the number of families who would be considered poor using the pre-tax/pre-transfer concept. Table 3 below summarizes these results.

TABLE 3.—FAMILIES [1] BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS, FISCAL YEAR 1976

Families in poverty	Pretax/pre-transfer income	Pretax/post-social insurance income	Pretax/post-money transfer income	Pretax/post-in-kind transfer income	Posttax/post-total transfer income
Number in thousands	20,237	11,179	9,073	5,336	5,445
Percent of all families	25.5	14.1	11.4	6.7	6.9

[1] Families are defined to include unrelated individuals as one-person families.

Source: CBO study: Poverty status of families under alternative definitions of income.

If income is looked at after taxes and after total transfers, the incidence of poverty among families has fallen by approximately 60 percent since 1965.

The effectiveness of transfer programs in lifting families out of poverty varies considerably according to family type, race, age, and region of residence:

—Families of two or more persons derive relatively greater benefits from these transfer programs than do single-person families.

—While the pre-tax-pre-transfer poverty incidence is larger for nonwhites than whites, the relative impact of public transfer payments in alleviating poverty is about the same for both racial groups.

—Before taxes and transfers, more than one out of every two families headed by an aged person (65 or over) is in poverty. After taxes and transfers, poverty has been virtually eliminated; only 4 percent remain poor.

—Public transfers are relatively more effective in reducing poverty for families residing in the Northeast and North Central regions than for families in the South and West regions.

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[2] If medicare and medicaid benefits are not counted as income, then an additional 2 million families would be counted among the poor (2.6 percent of all families).

Comparsion of SSI Payment Levels to Poverty Thresholds

TABLE 4.—COMPARISON OF SSI MAXIMUM PAYMENT AMOUNTS AND POVERTY THRESHOLDS FOR FISCAL YEAR 1981

	Payment levels in dollars per month		Payment levels as a percent of poverty threshold	
	Individuals	Couples	Individuals	Couples
Poverty threshold [1]	315.83	417.50	100.0	100.0
Federal SSI [2]	238.00	357.00	75.4	85.5
Plus social security [3]	258.00	377.00	81.7	90.3
Plus food stamps	262.00	403.00	83.0	96.5
Plus social security and food stamps [4]	276.10	417.40	87.4	100.0

[1] Annual poverty threshold values set by the Office of Management and Budget for July 1980, through June 1981, are $3,790 and $5,010 for individuals and couples, respectively, residing in non-farm areas.

[2] The federal SSI amounts are the basic monthly payment to individuals and couples living independently and having no other countable income. These amounts will increase in July 1981, by cost-of-living adjustments.

[3] The average Social Security benefit is subtracted from the maximum SSI benefit dollar-for-dollar of the amount greater than $20. These values should not be confused with the maximum (or minimum) social security benefit.

[4] Note that the amount of food stamps would decline if additional income were available from Social Security payments.

Source: CBO tabulations.

TABLE 5.—INCIDENCE OF POVERTY AMONG SSI RECIPIENTS IN FISCAL YEAR 1980

	Multiperson SSI families	Unrelated SSI individuals
Number of family units (thousands)	2,054	1,793
Mean family size	3.2	1.0
Mean family income	$12,344	$4,466
Mean SSI payments	$2,406	$1,711
Percent with income below the poverty line:		
Without food stamps	19.0	54.0
With food stamps	14.0	50.0

Source: Special tabulations for CBO. The SSI population includes all family units receiving SSI benefits at any time during the year. Family income may include income received by family members outside the SSI filing units.

TABLE 6.—COMPARISON OF PERCENT CHANGES IN ALTERNATIVE PRICE INDEXES

	CPI–U	CPI X–1	PPI finished goods	GNP deflator	GDPB deflator	PNB deflator	PCE deflator	PCE fixed weight	PCE chain
1971..	3.5	3.7	2.9	4.7	4.0	3.7	3.9	3.7	3.8
1972..	3.4	3.3	3.5	4.3	3.5	3.0	3.6	3.6	3.7
1973..	8.3	8.0	11.6	7.0	7.0	5.3	7.3	7.8	7.6
1974..	12.2	11.1	18.7	10.1	10.5	11.8	11.0	11.3	11.0
1975..	7.4	6.8	7.0	7.7	7.5	7.5	6.1	6.5	6.4
1976..	5.1	5.2	3.2	4.7	4.3	4.9	4.9	4.9	4.9
1977..	6.7	6.3	7.1	6.1	5.9	5.7	5.9	6.4	6.3
1978..	9.0	7.8	8.8	8.5	8.7	8.3	7.8	8.2	8.0
1979..	12.7	10.6	12.7	8.1	8.2	8.3	9.5	10.3	9.9
1980..	12.5	10.9	12.3	9.8	9.9	10.1	10.0	10.7	10.4
70–80[1]..	116.6	103.0	130.2	97.6	95.3	93.3	96.5	102.3	99.8

[1] Percent change over ten-year period, 1970:4 to 1980:4.

Note.—Percent changes, annual rates, 4th quarter to 4th quarter.

Source: Congressional Budget Office, Indexing With the Consumer Price Index: Problems and Alternatives, June 1981.

TABLE 7.—COMPARISON OF PERCENT CHANGES IN ALTERNATIVE WAGE INDEXES

	Average hourly earnings	Average hourly earnings index	Compensation per hour	Spendable weekly earnings	Employment cost index
1971	6.9	NA	5.7	7.9	NA
1972	7.7	NA	7.4	8.3	NA
1973	6.6	6.4	8.1	4.8	NA
1974	8.3	9.1	11.0	5.7	NA
1975	6.2	7.5	7.7	10.3	NA
1976	7.7	7.3	8.5	5.2	7.2
1977	7.7	7.5	7.4	10.8	7.1
1978	9.0	8.4	9.1	5.3	7.7
1979	7.8	8.1	9.7	7.2	8.7
1980	8.8	9.7	10.0	6.9	9.0
1970–80 [1]	109.6	NA	125.0	100.8	NA

[1] Percent change over 10-year period, 1970:4 to 1980:4.

Note.—Percent changes, annual rates, 4th quarter to 4th quarter.

Source: Congressional Budget Office, Indexing With the Consumer Price Index: Problems and Alternatives, June 1981.

TABLE 8.—MONTHLY DATA FOR FOUR ECONOMIC INDICATORS SINCE 1970

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
CPI–U X1: All Items (1967 = 100)													
1970	111.2	111.7	112.0	112.7	113.1	113.4	113.9	114.1	114.5	115.1	115.5	116.0	113.6
1971	116.2	116.7	117.2	117.8	118.3	118.9	119.2	119.3	119.4	119.6	119.7	120.1	118.5
1972	120.2	120.8	121.1	121.4	121.7	122.0	122.3	122.6	123.1	123.4	123.8	124.1	122.2
1973	124.7	125.6	126.8	127.8	128.5	129.3	129.7	131.8	132.0	132.8	133.7	134.6	129.8
1974	135.7	137.5	138.9	139.7	141.1	142.3	143.2	144.8	146.3	147.4	148.6	149.5	142.9
1975	150.1	150.9	151.5	152.1	152.8	154.0	155.6	156.2	156.9	157.8	158.6	159.3	154.7
1976	159.7	160.2	160.7	161.4	162.3	163.3	164.1	164.8	165.5	166.2	166.7	167.4	163.5
1977	168.3	170.0	170.9	172.2	173.1	174.2	174.8	175.5	175.9	176.5	177.3	177.9	173.9
1978	178.8	179.9	181.2	182.7	184.3	186.0	186.9	187.7	188.8	190.0	191.0	192.0	185.8
1979	193.6	195.4	197.1	199.0	201.3	203.3	205.0	206.6	208.4	210.0	211.1	212.8	203.6
1980	215.3	218.0	220.7	222.3	224.2	225.8	227.2	229.1	231.4	232.8	234.2	235.7	226.4
1981	237.8	240.8	242.8	244.2	245.7	247.1	249.0	250.8	252.8	253.9	254.9	255.8	246.5
Index of Consumer Prices, All Items (1967 = 100)													
1970	113.3	113.9	114.5	115.2	115.7	116.3	116.7	116.9	117.5	118.1	118.5	119.1	116.3
1971	119.2	119.4	119.8	120.2	120.8	121.5	121.8	122.1	122.2	122.4	122.6	123.1	121.3
1972	123.2	123.8	124.0	124.3	124.7	125.0	125.5	125.7	126.2	126.6	126.9	127.3	125.3
1973	127.7	128.6	129.8	130.7	131.5	132.4	132.7	135.1	135.5	136.6	137.6	138.5	133.1
1974	139.7	141.5	143.1	143.9	145.5	146.9	148.0	149.9	151.7	153.0	154.3	155.4	147.7
1975	156.1	157.2	157.8	158.6	159.3	160.6	162.3	162.8	163.6	164.6	165.6	166.3	161.2
1976	166.7	167.1	167.5	168.2	169.2	170.1	171.1	171.9	172.6	173.3	173.8	174.3	170.5
1977	175.3	177.1	178.2	179.6	180.6	181.8	182.6	183.3	184.0	184.5	185.4	186.1	181.5
1978	187.2	188.4	189.8	191.5	193.3	195.3	196.7	197.8	199.3	200.9	202.0	202.9	195.4
1979	204.7	207.1	209.1	211.5	214.1	216.6	218.9	221.1	223.4	225.4	227.5	229.9	217.4
1980	233.2	236.4	239.8	242.5	244.9	247.6	247.8	249.4	251.7	253.9	256.2	258.4	246.8
1981	260.5	263.2	265.1	266.8	269.0	271.3	274.4	276.5	279.3	279.9	280.7	281.5	272.4

TABLE 8.—MONTHLY DATA FOR FOUR ECONOMIC INDICATORS SINCE 1970—Continued

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
Unemployment Rate—Total (Seasonally Adjusted)													
1970	3.9	4.2	4.4	4.6	4.7	4.9	5.0	5.1	5.4	5.6	5.9	6.1	4.9
1971	5.9	5.9	5.9	5.9	5.9	5.9	6.0	6.1	6.0	5.9	6.0	6.0	5.9
1972	5.8	5.7	5.8	5.7	5.6	5.6	5.6	5.6	5.6	5.7	5.2	5.1	5.6
1973	4.9	5.0	4.9	5.0	4.9	4.8	4.8	4.8	4.8	4.6	4.8	4.9	4.9
1974	5.1	5.1	5.0	5.0	5.1	5.3	5.5	5.4	5.9	5.9	6.6	7.1	5.6
1975	8.0	8.1	8.5	8.8	9.0	8.8	8.7	8.4	8.4	8.4	8.2	8.2	8.5
1976	7.9	7.7	7.6	7.6	7.3	7.6	7.7	7.8	7.6	7.7	7.8	7.8	7.7
1977	7.5	7.6	7.4	7.2	7.0	7.2	6.9	6.9	6.8	6.8	6.7	6.3	7.0
1978	6.4	6.2	6.2	6.1	6.0	5.8	6.1	5.8	5.9	5.7	5.8	6.0	6.0
1979	5.8	5.9	5.8	5.8	5.6	5.6	5.6	5.9	5.8	5.9	5.9	6.0	5.8
1980	6.2	6.2	6.3	6.9	7.6	7.5	7.6	7.6	7.4	7.6	7.5	7.4	7.1
1981	7.4	7.3	7.3	7.6	7.3	7.0	7.2	7.5	8.0	8.4	8.4	8.8	7.6
Insured Unemployment Rate Under State Programs (Seasonally Adjusted)													
1970	2.5	2.7	2.8	3.2	3.5	3.6	3.6	3.7	4.0	4.4	4.4	4.0	3.4
1971	3.9	3.9	4.1	4.1	4.1	4.2	4.0	4.2	4.1	4.1	4.0	4.0	4.1
1972	3.6	3.7	3.7	3.6	3.6	3.6	3.7	3.3	3.2	3.1	3.1	3.0	3.5
1973	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.9	2.7
1974	3.1	3.2	3.2	3.1	3.2	3.2	3.3	3.4	3.6	3.9	4.4	5.1	3.5
1975	5.4	5.8	6.2	6.5	6.7	6.5	6.3	6.1	6.1	5.8	5.4	4.8	6.0
1976	4.5	4.3	4.2	4.2	4.3	4.5	4.7	4.8	5.0	5.0	4.8	4.4	4.6
1977	4.2	4.2	3.8	3.7	3.7	3.8	3.9	4.1	3.7	4.0	3.9	3.7	3.9
1978	3.6	3.6	3.5	3.1	3.1	3.1	3.4	3.6	3.3	3.1	3.1	3.1	3.3
1979	3.1	3.1	3.0	3.0	2.8	2.9	2.9	3.0	3.0	3.0	3.1	3.2	2.9
1980	3.2	3.1	3.4	3.7	4.3	4.7	4.5	4.4	4.4	4.1	3.8	3.5	3.9
1981	3.4	3.2	3.3	3.4	3.4	3.4	3.2	3.4	3.5	3.7	4.0	4.1	3.5

APPENDIX B

NATIONAL HEALTH CARE EXPENDITURES AND EXPENDITURES FOR HEALTH CARE BY THE ELDERLY

NATIONAL HEALTH CARE EXPENDITURES AND EXPENDITURES FOR HEALTH CARE BY THE ELDERLY

NATIONAL HEALTH EXPENDITURES

During 1965 (the year prior to the beginning of the medicare and medicaid programs), national health expenditures were $41.7 billion; by 1980, they were almost six times that amount. Hospital care expenditures are the largest component of national health expenditures, representing approximately 40 percent of total national health spending in 1980. In terms of per capita spending, $429.80 was spent for hospital care per capita in 1980 compared to $373.98 in 1979, an increase of 14.9 percent. (See Table 1.)

Of the various sources of payment for personal health care expenditures in 1980, 26.6 percent ($58.1 billion) was paid for by private health insurance, 16.3 percent ($35.6 billion) was paid by medicare, 12.4 percent ($26.9 billion) was paid from other Federal sources (including medicaid), 11.0 percent ($23.9 billion) was paid from State and local sources, and 32.4 percent ($70.6 billion) was paid by direct (out-of-pocket) payments by individuals. The percentage paid for by medicare has increased since 1970, when medicare paid 10.9 percent of personal health care expenditures.

TABLE 1.—NATIONAL HEALTH EXPENDITURES: AGGREGATE AND PER CAPITA AMOUNTS FOR SELECTED CALENDAR YEARS 1965, 1970, 1975, 1979, AND 1980

	1980	1979	1975	1970	1965
	Amount (billions)				
Total	$247.2	$214.6	$132.7	$74.7	$41.7
Percent of GNP	9.4	8.9	8.6	7.5	6.0
Health services and supplies	$235.6	$204.3	$124.3	$69.3	$38.2
Personal health care	217.9	189.1	116.8	65.1	35.8
Hospital care	99.6	85.7	52.1	27.8	13.9
Physicians' services	46.6	40.7	24.9	14.3	8.5
Dentists' services	15.9	13.5	8.2	4.7	2.8
Other professional services	5.4	4.7	2.6	1.6	1.0
Drugs and medical sundries	19.2	17.2	11.9	8.0	5.2
Eyeglasses and appliances	5.1	4.6	3.2	1.9	1.2
Nursing home care	20.7	17.8	10.1	4.7	2.1
Other health services	5.4	5.0	3.7	2.1	1.1
Prepayment and administration	10.4	8.9	4.4	2.7	1.6
Government public health activities	7.3	6.4	3.2	1.4	.8

TABLE 1.—NATIONAL HEALTH EXPENDITURES: AGGREGATE AND PER CAPITA AMOUNTS FOR SELECTED CALENDAR YEARS 1965, 1970, 1975, 1979, AND 1980—Continued

	1980	1979	1975	1970	1965
Research and construction of medical facilities	11.6	10.3	8.4	5.4	3.5
Research	5.4	4.8	3.3	2.0	1.5
Construction	6.1	5.4	5.1	3.4	2.0
	Dollar amount per capita				
Total	$1,067.06	$936.92	$603.57	$357.90	$210.89
Health services and supplies	1,017.10	892.08	565.37	332.02	193.14
Personal health care	940.62	825.68	530.97	312.29	180.73
Hospital care	429.80	373.98	236.97	133.05	70.13
Physicians' services	201.18	177.65	113.38	68.74	42.82
Dentists' services	68.42	58.95	37.46	22.77	14.19
Other professional services	23.30	20.47	11.91	7.64	5.22
Drugs and medical sundries	83.00	75.03	54.30	38.33	26.18
Eyeglasses and appliances	22.10	20.20	14.34	9.33	5.93
Nursing home care	89.46	77.62	45.86	22.52	10.47
Other health services	23.34	21.78	16.75	9.92	5.79
Prepayment and administration	44.93	38.66	20.04	12.92	8.29
Government public health activities	31.55	27.74	14.36	6.81	4.11
Research and construction of medical facilities	49.96	44.84	38.20	25.88	17.75
Research	23.50	21.07	15.17	9.44	7.66
Construction	26.46	23.77	23.04	16.45	10.09

Source: Gibson Robert M. and Daniel R. Waldo. National Health Expenditures, 1980. Health Care Financing Review, September 1981. pp. 18, 19, 32–34.

TABLE 2.—PERSONAL HEALTH CARE EXPENDITURES: AGGREGATE AMOUNTS AND PERCENTAGE DISTRIBUTION FOR SELECTED CALENDAR YEARS 1970, 1975, 1979, AND 1980

	1980	1979	1975	1970
	Amount (billions)			
Total	217.9	189.1	116.8	65.1
Private	131.6	114.8	70.7	42.6
Private health insurance	58.1	50.2	30.1	15.6
Out-of-pocket	70.6	62.0	39.0	26.0
Philanthropy and in-plant health services	2.9	2.6	1.6	1.0
Public	86.4	74.4	46.1	22.5
Federal	62.5	53.1	31.4	14.5
Medicare	35.6	29.3	15.6	7.1
Medicaid	13.9	11.9	7.6	2.9
Other	13.0	11.9	8.3	4.6
State and local	23.9	21.3	14.7	7.9
Medicaid	11.4	9.8	6.0	2.4
Other	12.4	11.5	8.7	5.6
	Percentage distribution			
Total	100.0	100.0	100.0	100.0
Private	60.3	60.6	60.6	65.5
Private health insurance	26.6	26.5	25.8	24.0
Out-of-pocket	32.4	32.8	33.4	39.9
Philanthropy and in-plant services	1.3	1.3	1.4	1.6
Public	39.6	39.3	39.5	34.5
Federal	28.7	28.1	26.9	22.3
Medicare	16.3	15.5	13.4	10.9
Medicaid	6.4	6.3	6.5	4.4
Other	6.0	6.3	7.1	7.0
State and local	11.0	11.3	12.6	12.2
Medicaid	5.2	5.2	5.1	3.6
Other	5.7	6.1	7.5	8.6

Source: Gibson, Robert M. and Daniel R. Waldo. National Health Expenditures, 1980. Health Care Financing Review, September 1981. pp. 42–46.

EXPENDITURES FOR HOSPITAL CARE

National health care expenditures for all hospital care totaled $99.6 billion in 1980, an increase of 16.2 percent over 1979 spending of $85.7 billion. Total hospital inpatient expenditures have been increasing rapidly for many years. From 1970 to 1977, inpatient expenditures in community hospitals grew at an average annual rate of 14.6 percent. After a marked slowing in 1978 and 1979, growth accelerated rapidly and reached an annual rate of 18.5 percent for the first seven months of 1981 (see Table 3).

This rapid growth in hospital costs has led to substantial increases in Federal spending for medicare and medicaid, of which roughly 60 percent is for hospital care. Federal outlays under these programs for hospital care totaled approximately $32 billion in fiscal year 1981, an increase of $6.3 billion from 1980. For every 1 percent increase in total hospital costs, Federal outlays increase by roughly $300 million.

Under current policies, rapidly rising hospital costs and increasing Federal outlays are likely to continue. For example, adjusting for the cuts made in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), the Congressional Budget Office (CBO) projects that medicare outlays for hospital care will rise at an average annual rate of 14 percent through 1986. It is expected that these projections will be even higher when adjustments for recent hospital cost increases are made.

Although the high rates of growth in hospital costs are due primarily to increases in prices faced by hospitals, inflation does not explain the most recent surge in hospital expenditures. In the past year, the cost of hospital care has increased more than the "hospital market basket," which measures changes in the prices of goods purchased by hospitals. This index increased by 12.7 percent in 1980 and 13.4 percent through July 1981, whereas inpatient expenditures increased by 16.8 percent and 18.5 percent in those periods respectively.

Two factors explain why the costs of hospital care are growing faster than the prices of goods purchased by hospitals—the number of patients and the volume of services per patient. The number of admissions increased at a rate of 2.5 percent per year during the 1970-80 period. About half of this is explained by population growth and the aging of the population.

Increases in the volume of services per patient, frequently referred to as "intensity," also explain part of the real growth in hospital expenditures. Each year, the average patient receives a larger number of increasingly sophisticated diagnostic and therapeutic services during a hospital stay. For example, after adjusting for price changes, the average heart attack patient spent 86 percent more for ancillary services in 1971 than in 1964.[1]

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[1] Anne A. Scitovsky, "Changes in the Use of Ancillary Services for 'Common' Illness," in Stuart H. Altman and Robert Blendon, editors, Medical Technology: The Culprit Behind Health Care Cost? (U.S. Department of Health, Education and Welfare, 1979), p. 41.

TABLE 3.—ANNUAL PERCENTAGE INCREASES IN INPATIENT HOSPITAL EXPENSES, HOSPITAL INPUT PRICES, ADMISSIONS, AND SERVICE INTENSITY, 1970-81 [1]

Calendar year	Inpatient expenses	Input prices	Admissions	Net intensity [2]
1970	17.2	6.5	6.3	3.5
1971	10.6	5.2	0.4	4.7
1972	11.6	5.0	2.6	3.6
1973	11.3	5.7	3.5	1.7
1974	15.5	9.1	3.7	2.1
1975	16.8	11.0	0.3	4.9
1976	18.7	8.7	3.4	5.6
1977	15.2	8.0	2.5	4.1
1978	12.3	8.7	0.4	2.9
1979	13.3	9.4	2.7	0.8
1980	16.8	12.7	2.9	0.7
1981 [1]	18.4	13.5	1.0	3.3
1970-81 [1] (average annual increase)	14.8	8.6	2.5	3.2

[1] Data for 1981 are annual rates based on the first nine months only.

[2] A residual category of expenditures not accounted for by the input prices or admissions factors. Along with additional resources applied to patients' care, it may include productivity changes, changing patterns in use, errors in the measurement of input prices, and time lags between input price increases and expenditure increases.

Sources: Congressional Budget Office. Inpatient expenses, input prices, and admissions based on data from the American Hospital Association. Net intensity calculated as a residual.

HEALTH CARE EXPENDITURES OF THE ELDERLY

In calendar year 1978, $167.9 billion was expended nationwide for personal health care services, an increase of 12.6 percent over the $149.1 billion recorded in 1977. While the elderly accounted for only 11 percent of the population, 29 percent of each year's total was spent on services for those aged 65 and over—$49.4 billion in 1978 and $43.3 billion in 1977. In 1978, per capita expenditures for this older population were $2,026 compared to $764 for those aged 19-64 and $286 for persons below age 19.

In 1978, public spending financed 63.2 percent of the health care bill of the elderly, more than double the 29.9 percent recorded in 1965, the year prior to the implementation of Medicare and Medicaid. However, the 1978 figures represented a slight decrease from the 63.9 percent recorded for public spending in 1977.

In 1978, medicare paid 44.1 percent or $893 of the per capita bill of $2,026 for the elderly. Other sources of funding included medicaid (13.4 percent or $271 of the per capita bill), other public programs (5.7 percent or $115) and private payments, including private health insurance and out-of-pocket expenses (36.8 percent or $746). The distribution of the payments for the aged's 1977 per capita health bill of $1,821 were: medicare—$805 (44.2 percent), medicaid—$253 (13.8 percent), other public programs—$107 (5.9 percent), private health insurance—$120 (6.6 percent), out-of-pocket expenses $530 (29.1 percent), and other $7 (.4 percent). The $530 in out-of-pocket expense did not include amounts paid for private health insurance premiums or medicare premiums. If these amounts are included, total out-of-pocket spending was $698 per capita in calendar year 1977 compared to $300 in fiscal year 1966, the year prior to implementation of medicare. Viewed in terms of constant fiscal year 1966 dollars, out-of-pocket spending rose from $300 to $368 over the period. However, in terms of the elderly's average income, out-of-pocket spending declined from 15 percent to 12 percent of the total over the same period.[2]

TABLE 4.—OUT-OF-POCKET PER CAPITA HEALTH EXPENDITURES BY THE AGED, FISCAL YEAR 1966 AND CALENDAR YEAR 1977

	Fiscal year 1966	Calendar year 1977	
		Current dollars	Constant fiscal year 1966 dollars
Total amount	$300	$698	$368
Direct payments	237	530	279
Premiums:			
Private health insurance	63	90	47
Medicare, part B	NA	78	41

Source: Fisher, Charles R., "Differences by Age Groups in Health Care Spending" in Health Care Financing Review, Spring 1980, p. 79, and Gibson, Robert M. and Fisher, Charles R., "Age Differences in Health Care Spending: Fiscal Year 1977", in Social Security Bulletin, January 1979, p. 15.

EXPENDITURES FOR HOSPITAL CARE BY THE ELDERLY

Medicare is now paying a slightly larger proportion of the hospital bills for the aged. In 1970, $7.0 billion was spent on hospital care for persons 65 and over. Of this amount, the medicare program paid $5.0 billion, or 71.4 percent. In 1978, hospital care expenditures for the aged were $21.2 billion; the medicare program paid $15.8 billion or 74.6 percent of all hospital care expenditures for the aged. (See Table 5.)

Almost three-quarters (73.9 percent) of all medicare benefits in 1980 went for hospital care ($26.3 billion out of a benefit total of $35.6 billion). This percentage is slightly higher than in 1970, when 71.8 percent of medicare benefits went for hospital care ($5.1 billion out of a benefit total of $7.1 billion).

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[2] Fisher, Charles R. Differences by Age Groups in Health Care Spending. Health Care Financing Review, Spring 1980. P. 78–79. And Gibson, Robert M. and Fisher, Charles R. Age Differences in Health Care Spending: Fiscal Year 1977. Social Security Bulletin, January 1979. p. 15.

TABLE 5.—ESTIMATED AMOUNT AND PERCENTAGE DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES FOR PERSONS AGED 65 AND OVER BY TYPE OF EXPENDITURE AND SOURCE OF FUNDS FOR CALENDAR YEARS 1970 AND 1978

	Amount (in millions)					Percentage Distribution				
	Total	Private	Public			Total	Private	Public		
			Medicare	Medicaid	Other			Medicare	Medicaid	Other
Calendar year 1978										
Total	$49,366	$18,192	$21,775	$6,611	$2,789	100.0	36.8	44.1	13.4	5.7
Hospital care	21,169	2,645	15,799	754	1,971	100.0	12.5	74.6	3.6	9.3
Physicians' services	8,910	3,620	4,954	260	76	100.0	40.6	55.6	2.9	.9
Dentists' services	1,383	1,338	—	34	11	100.0	96.8	......	2.4	.8
Other professional services	1,090	631	381	72	6	100.0	57.9	35.0	6.6	.6
Drugs and drug sundries	3,231	2,728	......	468	35	100.0	84.4	......	14.5	1.1
Eyeglasses and appliances	605	405	189	......	12	100.0	66.9	31.2	......	2.0
Nursing-home care	12,624	6,790	380	4,969	485	100.0	53.8	3.0	39.4	3.8
Other health services	354	35	72	54	193	100.0	9.9	20.3	15.3	54.5
Calendar year 1970										
Total	$17,270	$6,694	$7,099	$1,894	$1,584	100.0	38.8	41.1	11.0	9.2
Hospital care	7,054	806	4,974	405	869	100.0	11.4	70.5	5.7	12.3
Physicians' services	3,030	1,166	1,718	115	31	100.0	38.5	56.7	3.8	1.0
Dentists' services	413	386	......	19	9	100.0	93.5	......	4.6	2.2
Other professional services	389	285	79	22	3	100.0	73.3	20.3	5.7	.8
Drugs and drug sundries	1,732	1,524	......	190	18	100.0	88.0	......	11.0	1.0
Eyeglasses and appliances	304	255	45	......	4	100.0	83.9	14.8	......	1.3
Nursing-home care	4,144	2,255	265	1,112	512	100.0	54.4	6.4	26.8	12.4
Other health services	204	18	17	31	138	100.0	8.8	8.3	15.2	67.7

Source: Fisher, Charles R. Differences by Age Groups in Health Care Spending. Health Care Financing Review, Spring 1980. p. 89.

Total medicare reimbursement to short-stay hospitals more than tripled from 1970 to 1980, increasing from $4.5 billion to $22.1 billion, an average annual increase of 16.0 percent. During this period, the average reimbursement to short-stay hospitals per discharged medicare enrollee rose from $763 to $2,120, despite a decrease from 13.1 days to 10.5 days in the average length of stay for each discharged enrollee. The average reimbursement per hospital day covered by the program increased from $60 in 1970 to $208 in 1980. The increase in medicare short-stay hospital reimbursements between 1970 to 1980 was primarily a function of the increased cost of hospital care as measured by reimbursement per covered day. (See Table 6.)

TABLE 6.—USE OF SHORT STAY HOSPITAL SERVICES BY MEDICARE HOSPITAL INSURANCE (HI) BENEFICIARIES: NUMBER OF HI ENROLLEES AND DISCHARGES, DAYS OF CARE, CHARGES, AND REIMBURSEMENT, CALENDAR YEARS, 1970–80

Year	Number of enrollees	Number of discharges	Mean length of stay (in days)		Days of care			Total charges			Reimbursement		
			Total	Covered	Total number (thousands)	Covered		Amount (thousands)	Per discharge	Per day	Amount (thousands)	Per discharge	Percent of total charges
			Per discharge	Per discharge		Number (thousands)	Percent of total days						
1970[1]	20,361,152	5,920,320	13.1	12.8	77,652	75,914	97.7	5,908,690	998	76	4,517,654	763	76.4
1971[1]	20,742,250	6,111,835	12.7	12.3	77,395	75,313	97.3	6,733,494	1,102	87	5,129,245	839	76.1
1972[1]	21,115,261	6,495,050	12.3	11.8	79,809	76,788	96.2	7,560,301	1,164	95	5,709,189	879	75.5
1973	23,301,082	6,861,125	11.9	11.3	81,380	77,663	95.4	8,269,144	1,207	102	6,253,014	911	75.6
1974	23,924,145	7,012,555	11.6	11.3	81,307	79,418	97.7	9,722,750	1,386	120	7,309,058	1,042	75.2
1975	24,640,497	7,413,490	11.3	11.2	84,140	82,734	98.3	12,309,324	1,660	146	9,209,250	1,242	74.8
1976	25,312,575	8,320,120	11.2	11.1	93,516	91,993	98.4	15,971,925	1,920	171	11,895,771	1,430	74.5
1977[2]	26,093,919	8,740,440	11.0	10.8	95,882	94,251	98.3	18,952,160	2,168	198	13,795,807	1,578	72.8
1978[3]	26,777,263	[4] 9,354,000	10.8	10.6	101,025	98,966	98.1	22,897,500	2,448	227	16,247,907	1,717	71.0
1979[3]	27,459,157	[4] 9,899,000	10.5	10.3	103,941	101,521	97.7	26,613,104	2,688	256	18,656,878	1,885	70.1
1980[3]	28,101,458	[4] 10,444,000	10.5	10.3	109,661	106,666	97.3	32,340,345	3,097	295	22,141,393	2,120	68.5

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[1] Prior to 1973, services were covered only for beneficiaries aged 65 and over. Effective July 1, 1973, HI benefits were extended to persons under 65 years of age who were entitled to cash benefits for not less than 24 consecutive months under the disability insurance program and to persons with End-Stage Renal Disease (ESRD).

[2] Revised estimates.

[3] Based on data from bills processed through November 1981; 1978–80 data may not be as complete as that of earlier years because of any unprocessed bills.

[4] 1970–77 discharge data from actual data in medicare discharge file; 1978–80 discharge data estimated by dividing total days of care by total length of stay and then rounding to the nearest thousand.

Source: Goldsteen, Raymond. Medicare: Inpatient Use of Short-Stay Hospitals, 1978. Health Care Financing Notes, April 1981. HCFA Pub. No. 03087. p.6, and data from the November 1981 update of current utilization tabulations from the Medicare Statistical System.

EXPENDITURES FOR PHYSICIAN SERVICES BY THE ELDERLY

In 1978, physician expenditures for the aged totaled $8.9 billion, an increase of $1.3 billion or 16.9 percent over the $7.6 billion recorded in 1977. The 1978 figure represented 17.6 percent of total personal health care expenditures for the elderly and the third largest item of health care expense for this population group.

Public spending, primarily medicare, accounts for close to 60 percent of total physician expenditures for the elderly. Private health insurance represents approximately 15 percent of the total. Direct out-of-pocket expenditures by the aged accounts for about one-fourth of the bill.

TABLE 7.—PER CAPITA EXPENDITURES FOR PHYSICIANS' SERVICES FOR THE AGED BY SOURCE OF FUNDS AND PERCENTAGE DISTRIBUTION, CALENDAR YEAR 1978

Source of funds	Per capita amount	Percentage distribution
Total	$366	100.0
Public funds	217	59.4
Medicare	203	55.6
Medicaid	11	2.9
Other public programs	3	.9
Private funds	149	40.6
Direct payments [1]	96	26.2
Private health insurance [1]	53	14.4

[1] Preliminary estimate.

Source: Fisher, Charles R., "Differences by Age Groups in Health Care Spending" in Health Care Financing Review, Spring 1980, pp. 77, 78, 81, 82, and 89.

The percentage of total physician services paid for by medicare has declined slightly since the early years of the program from 57.3 percent in fiscal year 1968 to 55.6 percent in calendar year 1978. At the same time there has been a significant increase in reasonable charge reductions for unassigned medicare claims; these charges, which become an out-of-pocket expense for beneficiaries, increased from two percent of the total bill in fiscal year 1968 to about 10 percent in calendar year 1976 where they remained through 1978. However, the medicare deductible, which has remained fixed by law at $60 since 1973, has represented a steadily diminishing share of expenses for physicians services under medicare, declining from 18.1 percent in 1972 to 11.6 percent in 1977.

APPENDIX C

EXPLANATION AND IMPACT OF MAJOR CHANGES ENACTED INTO LAW DURING 1981 FOR SPENDING PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

EXPLANATION AND IMPACT OF MAJOR CHANGES ENACTED DURING 1981

This appendix describes the major legislative changes enacted into law during 1981 which affect the programs with spending authority within the jurisdiction of the Committee on Ways and Means. The changes affecting revenue to the railroad retirement program and the legislative changes to the black lung program are not described.

Table 1 illustrates the total amount of outlay reductions by major program area. Table 2 is identical to Table 1 except that it illustrates the reduction in outlays as a percentage of prior law outlays. For example, the 7.5 number for the AFDC program in fiscal year 1982 would indicate the Federal outlays for the AFDC program were reduced by 7.5 percent as a result of the legislative changes enacted during 1981. Table 3 is a detailed listing of the budget reductions by provision. These three tables were provided by the Congressional Budget Office and reflect their estimate as of January 1982 of these changes. In some cases this will be different from the estimates used during the actual reconciliation process. Where major changes in estimates did occur, the original estimate is noted in the text. These tables also illustrate the impact, if any, of appropriations actions taken during 1981.

Table 4 illustrates the number of individuals and the average reduction in benefits as a result of the legislative changes. Most of these numbers were provided by the agencies administering each program. The reduction in benefits is an average first full year impact number for the individuals affected. For example, the number of individuals affected by the elimination of the minimum benefits is 100,000 individuals. Each month approximately 8,000 individuals lose benefits. The average reduction is computed as the average amount of benefits lost for those losing benefits in the first month. This is a reasonable proxy for the average reduction in benefits for the first year the affected individuals lose benefits. The text and the footnotes describe precisely the meaning of these amounts.

The remainder of the text describes for each major provision in the law which underwent change: prior law, an explanation of the law as amended, the effective date of the change in the law and the impact the change will have upon the budget and where possible the number of individuals affected and the average loss in benefits.

Tables 1, 2 and 3 contain the budget impact of all proposals having a non-negligible impact upon the budget. The text describes those provisions where outlays are reduced by at least $15 million over the three-year period from fiscal years 1982 to 1984.

TABLE 1.—OUTLAY IMPACT OF LEGISLATIVE CHANGES ENACTED DURING 1981 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Trade adjustment assistance	−600	−380	−270
Social security [2]	−1,702	−2,880	−3,742
Unemployment compensation	−2,443	−4,245	−3,791
Aid to families with dependent children and child support enforcement	−659	−858	−882
Supplemental security income	72	43	57
Social services block grant	−685	−748	−804
Low-income energy assistance	−495	−672	−992
Medicare:			
Hospital insurance [3]	−476	−674	−801
Supplementary medical insurance	−406	−600	−675
Child welfare services	−3	0	0
Total	−7,397	−11,014	−11,900

[1] See footnotes on table 3.

[2] Does not include the impact of revenue increases; only budget outlay reductions.

[3] Does not include cash flow saving associated with the change made in the periodic interim payment procedure.

TABLE 2.—PERCENTAGE REDUCTION IN OUTLAYS RESULTING FROM LEGISLATIVE CHANGES ENACTED DURING 1981 ON PROGRAMS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS [1]

	Fiscal year		
	1982	1983	1984
Trade adjustment assistance	77.9	76.0	77.1
Social security	1.1	1.6	2.0
Unemployment compensation [2]	9.1	15.4	14.9
Aid to families with dependent children and child support enforcement	7.5	9.4	9.4
Social services block grant	22.2	23.4	24.3
Low-income energy assistance	22.0	26.4	34.6
Medicare:			
Hospital insurance [3]	1.4	1.9	1.7
Supplementary medical insurance	2.6	3.2	3.1
Child welfare services	1.9	0.0	0.0

[1] See footnotes on table 3. These percentages were computed using the CBO baseline estimates presented in Table 6 of Section 1 (Part 1) except for the low income energy assistance program. These reductions were computed as a percentage of the CBO baseline used during the 1981 reconciliation process.

[2] Does not include the impact of revenue increases; only budget outlay reductions.

[3] Does not include cash flow saving associated with the change made in the periodic interim payment procedure.

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Trade:			
Revisions to trade adjustment assistance	−600	−380	−270
Social security:			
Elimination of minimum benefit for future beneficiaries	−81	−180	−210
Elimination of benefits for postsecondary students	−567	−1,580	−2,033
Restrictions on payment of lump-sum death benefits	−200	−210	−215
Modification of month of initial entitlement for certain workers and their dependents	−190	−220	−240
Temporary extension of earnings limitation to include all persons aged less than 72	−380	−120	0
Termination of mother's and father's benefits when youngest child attains age 16	−30	−88	−496
Modification of rounding rules	−79	−272	−314
Cost reimbursement for provision of earnings information	−1	−2	−5
Revision of reimbursements for vocational rehabilitation services	−87	−86	−73
Modify workmen's compensation offset to: (1) Apply offset to certain other public disability benefits-megacap; (2) apply offset to benefits of workers aged 62 to 64; and (3) begin offset in first month of dual benefit payment	−87	−122	−156
Extension of coverage to first 6 months of sick pay (revenue increase)	−534	−762	−828
Total—Social security	−2,236	−3,642	−4,570
Unemployment compensation:			
Elimination of national trigger under the extended benefits program	−827	−1,273	−1,418
Raise State triggers to 5 percent plus 120 percent or 6 percent	0	−1,152	−448
Claims for extended or additional compensation not included in determining rate of insured unemployment for extended benefit trigger calculation	−1,286	−1,283	−1,225
Require 20 weeks of work or equivalent wages for extended benefits	0	−4	−3
Limitations on unemployment benefits paid to ex-service members	−325	−376	−347
Federal unemployment compensation loans to States	−5	−157	−350
Total—Unemployment compensation	−2,443	−4,245	−3,791
AFDC:			
Limitation and standardization of earnings disregards	−156	−159	−162
Determination of resources	−16	−17	−17
Permit offset for food stamps and housing subsidies	−10	−10	−11

TABLE 3.—CONGRESSIONAL BUDGET OFFICE[1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981—Continued

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Lump-sum payments	−5	−5	−5
Income of stepparents living with dependent child	−154	−145	−136
Effect of participation in a strike on eligibility for AFDC	−5	−5	−5
Age limit of dependent child	−50	−52	−54
Limitation on AFDC pregnant women	−20	−21	−21
Recover overpayments/pay underpayments	−115	−110	−106
Reduce Federal matching for training	−16	−17	−18
Restrospective accounting and monthly reporting	0	−187	−195
Eligibility of aliens for AFDC	−15	−15	−15
Administrative savings	−11	−14	−18
Total—AFDC[2]	−573	−757	−763
Child support enforcement:			
Collection of past-due child and spousal support from Federal tax refunds	−24	−26	−29
Collection of support for certain adults	−20	−20	−20
Cost of collection and other services for non-AFDC families	−10	−20	−30
Child support obligations not discharged by bankruptcy	−15	−18	−23
Child support intercept of unemployment benefits	−17	−17	−17
Total—Child support enforcement	−86	−101	−119
Supplemental security income:			
Restrospective accounting	+77	+28	+24
Revision of reimbursements for vocational rehabilitation services	−20	−18	−15
Elimination of OASDI minimum benefit for future beneficiaries	+15	+33	+48
Total—Supplemental security income	+72	+43	+57
Social Services (title XX):			
Social services block grant	−685	−748	−804
Low income energy assistance:			
Low income energy assistance block grant[3]	−495	−672	−992
Medicare: (provisions affecting hospital insurance):			
Making part A deductible and coinsurance more current (increasing deductible to $260 in 1982)	−185	−305	−360
Less frequent SNF surveys	−4	−4	−4
Repeal of temporary delay in periodic interim payments	−692	0	0
Making part A coinsurance current with the year in which services are furnished	−5	−10	−10
Set section 223 limits on reimbursements to hospitals at 108 percent	−75	−105	−125
Limit nursing differential to 5 percent	−95	−105	−130

TABLE 3.—CONGRESSIONAL BUDGET OFFICE [1] REVISED ESTIMATES FOR LEGISLATIVE CHANGES MADE IN CALENDAR YEAR 1981—Continued

[In millions of dollars]

	Fiscal year		
	1982	1983	1984
Elimination of occupancy test for hospital long-term care	−70	−80	−90
Set section 223 limits on reimbursement to home health agencies at 45th percentile	−12	−23	−27
PSRO modifications	−5	−8	−5
Payments to promote closing and conversion of underutilized facilities	−2	−7	−19
Elimination of need for occupational therapy as a basis for entitlement to home health services	−23	−27	−31
Eliminate reimbursement for free-standing alcohol detoxification facilities	([4])	([4])	([4])
Total—Hospital insurance	−1,168	−674	−801
(Provisions affecting supplementary medical insurance):			
Increase in part B deductible and elimination of carryover from previous year	−175	−265	−295
Civil money penalties	−7	−7	−7
Elimination of unlimited open enrollment	−9	−10	−11
Limitation on reasonable charge for outpatient services	−15	−23	−27
Incentive reimbursement rate for renal dialysis services [5]	−105	−130	−155
Medicare payments secondary in cases of end-stage renal disease (revenue increase)	−95	−165	−180
Total—Supplementary medical insurance	−406	−600	−675

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[1] This table reflects revised estimates from the Congressional Budget Office which show the impact of the legislative changes enacted during 1981. With the exception of unemployment compensation, the numbers are not extremely sensitive to economic conditions. Thus any changes to the numbers from earlier estimates represent different assumptions.

[2] Does not include any resulting impact upon the medicaid or food stamp programs.

[3] These savings estimates are computed from a CBO baseline of $2,247, $2,547 and $2,867 for fiscal years 1982 to 1984 respectively. The 1982 number also reflects the appropriation level contained in the continuing resolution enacted December 1982. It is assumed the program will be funded at its authorization level in fiscal years 1983 and 1984.

[4] Negligible.

[5] CBO and Administration estimate that was used during the 1981 reconciliation process.

Notes. Minus (−) indicates an expenditure reduction or revenue increase, plus (+) indicates an expenditure increase or revenue decrease.

Unemployment compensation changes are done in a particular order and thus these estimates should not be used as independent estimates. The order chosen was: (1) raising the State trigger; (2) changing the definition of insured unemployment rate; and (3) eliminating the national trigger. If the national trigger were restored without the other two changes, the cost estimate would increase. The total amount of savings is correct.

TABLE 4.—NUMBER OF INDIVIDUALS/FAMILIES AND AVERAGE DOLLARS LOSS PER YEAR FOR SELECTED MAJOR CHANGES ENACTED DURING 1981

Program change	Number of individuals/families	Average dollar loss (full year basis)
AFDC: [1]		
Tightening of earnings disregards.	260,000 families with reduced benefits (6.9 percent of caseload). 300,000 families with benefits eliminated (8.0 percent of caseload).	$1,400 plus loss of medicaid for the families eliminated.
Counting of step-parents' income.	100,000 families	1,950 plus medicaid.
Social security: [2]		
Elimination of minimum benefit for future beneficiaries.	100,000	400
Reduced insurance benefits for post-secondary education.	250,000 individuals with benefits eliminated beginning June 1982.	3,450
	360,000 individuals with reduced benefits beginning September 1982.	1,910
Modification of month of initial entitlement for certain workers.	410,000 individuals	330
Temporary extension of earnings limitation to include all persons aged less than 72.	200,000 individuals	2,500
Modification of worker's compensation offset to apply to workers aged 62 to 64.[3]	4,000 individuals	1,500
Termination of parent's benefit when child attains age 16.	By August 1983, 200,000 individuals will have benefits eliminated.	2,500
Restriction on lump sum death benefit.	785,000 payments	255
Unemployment compensation: [4]		
Elimination of national trigger:		
Fiscal year 1982	766,000 individuals	1,080
Fiscal year 1983	1,086,000 individuals	1,172
Fiscal year 1984	1,183,000 individuals	1,200
Redefinition of State trigger calculation:		
Fiscal year 1982	1,085,000 individuals	1,185
Fiscal year 1983	1,074,000 individuals	1,195
Fiscal year 1984	906,000 individuals	1,352

TABLE 4.—NUMBER OF INDIVIDUALS/FAMILIES AND AVERAGE DOLLARS LOSS PER YEAR FOR SELECTED MAJOR CHANGES ENACTED DURING 1981—Continued

Program change	Number of individuals/families	Average dollar loss (full year basis)
Higher State trigger requirements:		
Fiscal year 1983	982,000 individuals	1,173
Fiscal year 1984	381,000 individuals	1,281
New eligibility requirements for ex-service members, fiscal year 1982.	157,000 individuals	2,070
Medicare:		
Changes in beneficiary cost-sharing provisions.	19,000,000 individuals	19
Trade adjustment assistance:		
Changes in calculation of benfits.	234,000 individuals	2,664

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[1] Based upon HHS and committee staff tabulations.

[2] Based upon numbers provided by the Office of the Actuary.

[3] Only includes the number of individuals turning 62 throughout the year. This number does not include those already 62–64 who are impacted by the change.

[4] Based upon analysis by the Congressional Budget Office. All of the unemployment compensation changes are extremely sensitive to economic conditions. These estimates are based upon CBO baseline economic assumptions made in January 1982.

TRADE ADJUSTMENT ASSISTANCE (TAA)

PETITIONS AND CERTIFICATIONS

Prior law:

A petition for certification of eligibility for TAA may be filed by a group of workers, their authorized representative, or their certified or recognized union with the Secretary of Labor. The Secretary of Labor is required to certify workers as eligible if: (1) a significant number or proportion of the workers in the firm or its appropriate subdivision have become, or are threatened to become, totally or partially separated; (2) sales or production of the firm or its appropriate subdivision have decreased absolutely; and (3) absolute or relative increases of imports of articles like or directly competitive with articles produced by the worker's firm or its appropriate subdivision contributed importantly to the actual or threatened total or partial separation and decline in sales or production. The Trade Act specified that the term "contributed importantly" means an important cause, but not necessarily one more important than any other cause.

The Secretary of Labor is required to certify or deny a worker petition within 60 days after the petition is filed. Certification may not apply to any worker separated more than 1 year before the date of the petition or before October 3, 1974, 6 months before the effective date of the program. Whenever the Secretary of Labor determines that the conditions for certification are no longer satisfied, the law requires him to terminate the certification.

Explanation of law as amended by Public Law 97-35:

The Act changed the standard of import causation from "contributed importantly" to "substantial cause" defined as one ". . . which is important and not less than any other cause." This restricts group eligibility to those groups of workers whose unemployment was caused by no factor more important than foreign competition. It will exclude workers from receiving TRA during recessions who are unemployed primarily because of domestic economic conditions.

In addition, the Act amended a provision requiring the Secretary of Labor: (1) to provide "full information" to workers about Trade Adjustment Assistance; (2) to provide assistance to groups in petitioning and applying for TAA; and (3) to inform State Boards of Vocational Education of each certification and, if available, of projected needs for training.

Effective date:

Petitions for certification filed on or after February 9, 1982 (180 days after date of enactment).

Impact:

This provision is estimated to have negligible budget impact given the changes to the amount and duration of trade readjustment allowances. Without those changes, this provision might have had a substantial budget impact.

TRADE READJUSTMENT ALLOWANCES

Prior law:

A worker certified as eligible for TAA by the Secretary of Labor qualifies to receive Trade Readjustment Allowances (TRA) under the following conditions: (1) worked at least 26 weeks at wages of at least $30 per week in adversely affected employment during the 52 weeks preceding job separation; (2) separated not earlier than the date on which imports adversely affected employment; (3) separated within 2 years after the certification date; and (4) separated before the termination date if the Secretary of Labor terminates the petition before its 2-year life expires.

The weekly TRA was the lower of 70 percent of the worker's average weekly wage or the national average weekly manufacturing wage ($289 or $15,028 annually). The weekly TRA decreased by 50 percent of any part-time earnings and declined by the full amounts of UI and training allowances. The combined value of the net TRA, UI, training allowances, and earnings could not exceed the lower of 80 percent of the worker's average weekly wage or 130 percent of the average weekly manufacturing wage ($376 or $19,536 annually).

Most qualified workers could receive TRA for up to 52 weeks collectible during the two-year period after layoff. Workers enrolled in an approved training program or of an age 60 or older not later than the date of separation were eligible for up to an additional 26 weeks of benefits for a combined potential maximum duration of 78 weeks.

Explanation of law as amended by Public Law 97-35:

The Act amends worker qualification requirements in several ways: (1) it changes the date after which TRA is payable from the date on which the Secretary of Labor determined foreign competition adversely affected the workers employment to 60 days after the date on which the workers filed their petition; (2) it expands the number of weeks that may be counted under the 26-week qualification requirement to include a limited number of weeks on authorized vacation, sick, injury, or maternity leave, on compensated disability, or in service as a full-time union representative, and the week in which the worker's layoff occurred; (3) it adds requirements that the worker must have waited one week before receiving compensation, must have exhausted UI in his most recent benefit period, must comply with the "suitable work" requirements under the Extended Benefits program, and may not collect TRA again under the same certification for a subsequent UI benefit period; and (4) it authorizes the Secretary of Labor to require a worker on TRA more than 8 weeks in an area with high unemployment and no "suitable employment" available to choose between training, or searching for work outside this area, if the workers have been approved for training for no longer than the TRA lasts.

The "suitable work" requirements in the Extended Benefits program deny benefits to a claimant, unless he can demonstrate reasonably good prospects of returning to work in his customary occupation within a short period of time, who rejects any work that is offered in writing or is listed with the State employment service, or who does not apply for any work to which he is referred by the State agency if the job: (1) is within the claimant's capabililty; (2) pays wages equal to the highest of Federal, State, or local minimum wage; (3) pays gross weekly wages that exceed his weekly benefits plus any private supplemental unemployment compensation; and (4) is otherwise consistent with the State definition of "suitable work."

The Act also limits the weekly TRA to the weekly benefit amount the claimant last received in UI benefits and the combined potential duration of UI and TRA to 52 weeks. TRA payments may be collected, only during the 52-week period following the worker's exhaustion of regular UI benefits. Workers enrolled in approved training, however, are eligible for an additional 26 weeks of TRA in the 26 weeks immediately following exhaustion of regular TRA if the worker applied for training within 210 days (30 weeks) of the later of the date on which he became certified for benefits or was separated from his job. Workers age 60 or older are no longer eligible for an additional 26 weeks of TRA payments.

Effective date:

Trade Readjustment allowances payable for weeks of unemployment beginning after 9/30/81.

Impact:

In early 1981, the Administration estimated that under prior law, outlays for Trade Adjustment Allowances (TRA) for workers would be $2,744 and $1,500 million for fiscal years 1981 and 1982, respectively. The actual outlays for fiscal year 1981 was $1,493 million. None of the reductions in this program affected 1981 outlays.

The outlay reductions for all of the legislative changes to TRA benefits was originally estimated by the Administration to be $1,295, $800, and $450 million for fiscal years 1982 to 1984, respectively.

Revised CBO estimates are that $600, $380, and $270 million of outlay reductions will occur because of the legislative changes. Based upon Department of Labor analysis, this provision is expected to affect 234,000 individuals in 1982. Projected outlays under the new program are $143 million in fiscal year 1982.

TRAINING AND RELATED SERVICES

Prior law:

The Secretary of Labor must "make every reasonable effort" to provide a certified worker who has been separated from his job with counseling, testing, placement, and supportive services under other Federal laws. Also, the Secretary of Labor may approve training if there is no suitable employment available, provided that suitable employment in the field of training is available. About $12 million was spent on these activities in FY80 under Title III of the Comprehensive Employment and Training Act of 1973 (CETA), as amended (P.L. 95-524).

Explanation of law as amended by Public Law 97-35:

The Act amended the training provisions to authorize the Secretary of Labor to approve training for TRA claimants if he determines that: (1) there is no "suitable employment" available; (2) the worker is qualified to undertake and complete the training; (3) the worker would benefit from the training; and (4) there is a reasonable expectation of employment following completion of the training. Upon approval, the worker is entitled to have the costs of the training paid by the U.S. Department of Labor. Unlike the Extended Benefits program definition of "suitable work," the definition of "suitable employment" for the purpose of determining eligibility for training is ". . . work of a substantially equal or higher skill level than the worker's past adversely affected employment, . . . (at) wages . . . not less than 80% of the worker's average weekly wage." If the worker is enrolled in such training, he cannot be disqualified from receiving UI or TRA because he quit or refused "suitable work," as defined in State law or the Extended Benefits program, or because he is unavailable or not actively searching for work. This means that a TRA claimant must accept "suitable work" as defined in the Extended Benefit program until he is entitled to training under TAA at which time he may quit "suitable work" as long as he meets the various conditions for the training program.

Effective date:

Determinations made after September 30, 1981.

Impact:

No separate impact analysis is available.

JOB SEARCH AND RELOCATION ALLOWANCES

Prior law:

Job search and relocation allowances could be made available to certified workers who had been separated from their jobs. If a certified worker filed an application for job search allowances no later than 1 year after separation or within a "reasonable period" after conclusion of training, he could have been eligible for an 80 percent reimbursement of necessary job search expenses up to $500. The job must have been in the United States and the Secretary of Labor must have determined that the worker could not be expected to find suitable employment in his commuting area.

Relocation allowances could be made available to a worker who was eligible for TRA in the week that he applies for relocation allowances under the following conditions: (1) the Secretary of Labor determined that he could not secure a job in his commuting area; (2) he secured suitable, long-duration employment or obtained a bona fide job offer in a relocation area within the United States. The relocation allowance was 80 percent of reasonable and necessary expenses incurred and an amount equal to three times the worker's average weekly wage up to $500.

Explanation of law as amended by Public Law 97-35:

The Act increased job search and relocation allowances to 90 percent up to $600 and 90 percent and a lump sum payment up to $600, respectively. The basis for calculating reasonable expenses has also increased. In addition, certain time limits were imposed related to the application and payment of these allowances.

Effective date:

Applications filed after September 30, 1981.

Impact:

No separate impact analysis is available.

SOCIAL SECURITY

REPEAL OF MINIMUM BENEFIT FOR FUTURE BENEFICIARIES

Prior law:

Social security beneficiaries whose average lifetime earnings in covered employment are low receive a "minimum benefit" which is higher than the benefit they would otherwise receive under the benefit computation formula. Low average earnings can result from many years of work at low wages or from a few years of covered work even at relatively high wages. Before 1977, the minimum benefit, like all other amounts in the table of benefits, rose with each general benefit increase. $122 per month was roughly the minimum primary insurance amount in effect in 1978. In order to phase out the minimum benefit gradually, the 1977 amendments "froze" the minimum benefit (or primary insurance amount) at $122 per month for persons who reached age 62, or became disabled after 1978, or who became eligible for survivor benefits based on the earnings of a worker who died after 1978. Beneficiaries receiving the frozen minimum benefit are also eligible for cost-of-living adjustments once they begin receiving benefits. Workers who turned 62, became disabled, or died in 1978 or earlier, and their dependents and survivors, receive whatever minimum benefit was in effect at the time they first became eligible for benefits, plus any cost-of-living adjustments awarded since that time. For a 65-year-old worker who retired in January 1981 (turned 62 in 1978), the minimum benefit is currently $170.30 per month.

Explanation of law as amended by Public Law 97-123:

The minimum benefit is eliminated for all future beneficiaries. All benefits payable to new beneficiaries will be based upon their actual earnings with no minimum payment level.

Effective date:

The minimum benefit will be eliminated for future beneficiaries who become eligible after December 1981.

Impact:

In calendar year 1982, this will affect the benefits to 8,333 new beneficiaries each month. The average dollar loss per beneficiary is approximately $33 per month. This provision will result in $81, $180, and $210 million of reduced outlays in the OASDI trust funds with $15, $33 and $48 million of increased SSI and medicaid costs for fiscal years 1982 to 1984, respectively.

ELIMINATION OF CHILD'S INSURANCE BENEFITS IN THE CASE OF CHILDREN AGED 18 THROUGH 21 WHO ATTEND POSTSECONDARY SCHOOLS

Prior law:

A student's benefit is payable to an unmarried child or eligible grandchild of a retired or disabled worker or of a deceased worker who was fully or currently insured if the child is a full-time student aged 18-21.

Explanation of law as amended by Public Law 97-35:

This provision eliminates new benefits for child beneficiaries 18 or older in postsecondary school and 19 or older in elementary or secondary school. However, students 18 or older who were entitled to a child's benefit in August 1981 and who began postsecondary school before May 1982 will continue to receive benefits. The amount of their benefits, however, will not be adjusted for changes in the cost-of-living after August 1981. Further, beginning in September 1982, the amount of their benefits will be reduced each year by 25 percent of the August 1981 amount. Benefits will continue until the student turns 22, discontinues his education, or for some other reason ceases to qualify for benefits. In no case can benefits to postsecondary students 18 or older continue beyond July

1985. In addition, beginning in 1982, no benefits will be payable to these postsecondary students during the months of May through August.

Effective date:

This provision affects new child beneficiaries in August 1982 and later. Current beneficiaries not attending summer school fulltime will receive no payment for May through August beginning in 1982. No cost of living adjustments will be paid effective with the July 1982 and later increases. The 25 percent reduction each year is effective beginning September 1982.

Impact:

Approximately 250,000 beneficiaries will not receive benefits in the period from September 1982 to August 1983. The average annual dollar loss for these beneficiaries is $3,450. An additional 360,000 individuals will not receive benefits for the period May-August 1982, but will receive reduced benefits beginning in September 1982 and continuing through April 1983. The average reduction will be $1,910 annually.

Benefit payments from the trust funds will be $567, $1,580, and $2,033 million less in fiscal years 1982 to 1984 respectively.

RESTRICTIONS ON THE LUMP SUM DEATH PAYMENT

Prior law:

A lump sum death payment of $255 was payable on the death of a fully or currently insured worker to the surviving spouse or to the person or persons who assume responsibility for funeral expenses. Application for the lump sum death payment had to be made within the two-year period ending with the second anniversary of the insured person's death. The lump sum death payment was paid to the deceased person's widow (or widower) without application if she (he) was living with the deceased at the time of death and was entitled to receive wife's or husband's benefits on the deceased person's social security record for the month preceding the month in which the insured person died. The lump sum death payment was paid upon application, without regard to who paid the deceased person's burial expenses, to the surviving widow (or widower) who was not entitled to receive benefits on the deceased person's social security record for the month preceding the month in which the insured person died if she (he) was living with the deceased when the insured person died. In the absence of such a surviving spouse, the lump sum death payment was paid on application to the individual who assumes responsibility for the payment of the burial expenses of the deceased. If no one assumed responsibility for the payment of the burial expenses incurred through a funeral home within 90 days after the insured person died, the lump sum death payment is paid to the funeral home upon application.

Explanation of law as amended by Public Law 97-35:

The lump sum death payment has been eliminated in cases where there is neither an eligible spouse nor an entitled child. Surviving spouses who were living with a deceased worker or are eligible to receive monthly cash survivor benefits upon the worker's death are eligible to receive the lump sum death payment. If there is no eligible spouse, the lump sum death payment is payable to any child of the deceased worker who is eligible to receive monthly cash benefits as a surviving child. If there is no surviving spouse and no children of the worker eligible for monthly benefits, then no one is eligible to receive the lump sum death payment.

Effective date:

This provision became effective for deaths occurring after August 1981.

Impact:

Approximately 785,000 payments will be eliminated in the first twelve months the provision is effective. Outlays will be reduced by $200, $210, and $215 million for fiscal years 1982 to 1984 respectively.

PAYMENT OF CERTAIN BENEFITS ONLY FOR MONTHS AFTER MONTH IN WHICH ENTITLEMENT CONDITIONS ARE FULFILLED

Prior law:

Social security benefits were payable for the entire month during which the beneficiary first met all requirements for eligibility, regardless of when during the month all requirements were met.

Explanation of law as amended by Public Law 97-35:

In the case of workers retiring at age 62 and in case of dependents (first claiming benefits at age 62) of retired workers, entitlement to benefits begins with the first month throughout all of which the individual meets all the requirements for eligibility. This change does not affect the disabled and their dependents who become entitled at the same time as the worker, although it does apply to dependents who come onto the benefit rolls at some time after the disabled worker becomes entitled. The provision does not affect entitlement to survivors' benefits, to reduced benefits for workers retiring after the month in which they attain age 62, to unreduced benefits in the month (and later months) that an otherwise entitled individual attains age 65, or to Medicare benefits.

Effective date:

The provision became effective for months after August 1981.

Impact:

For the first twelve months this provision is effective, approximately 410,000 individuals will lose one month of benefits averaging $330 per month. This does not include the loss of dependent's benefits.

Benefit payments will be reduced by $190, $220, and $240 million for fiscal years 1980 to 1984 respectively.

TEMPORARY EXTENSION OF EARNINGS LIMITATION TO INCLUDE ALL PERSONS AGED LESS THAN 72

Prior law:

Through the end of 1981, the earnings test applied until the month a worker reached age 72. Under a provision of the 1977 Social Security Amendments, the age at which the test would have no longer applied was scheduled to be reduced to 70 beginning in 1982. For 1982 the exempt amount for persons age 65 through 71 is $6,000 annually ($500 monthly) and $4,440 annually ($370 monthly) for persons under age 65. The exempt amounts in the future are to be determined through an automatic adjustment based on the increase in average wages in the economy.

Explanation of law as amended by Public Law 97-35:

The earnings test exempt age will remain at age 72 in 1982. Beginning in 1983, it will be lowered to age 70.

Effective date:

This provision is effective only for one year.

Impact:

Approximately 200,000 individuals will lose an average of $2,500 for calendar year 1982. Benefit payments will be reduced by $380 and $120 million for fiscal years 1982 and 1983 respectively. There would be no effect in fiscal year 1984 and later.

TERMINATION OF MOTHER'S AND FATHER'S BENEFITS WHEN CHILD ATTAINS AGE 16

Prior law:

A monthly benefit is paid to a wife (husband) of a retired or disabled worker or to a widow (widower) or surviving divorced mother (father) of an insured worker, if the spouse or surviving spouse has 1 or more entitled children of the worker in her (his) care. These payments continue until the youngest child being cared for reaches age 18.

Explanation of law as amended by Public Law 97-35:

The entitlement to benefits ends for the mother or father caring for a child or children receiving child's insurance benefits when the youngest child reaches age 16.

Effective date:

The provision will be effective with respect to current beneficiaries beginning September 1983, but became effective for parents becoming newly entitled in or after October 1981.

Impact:

Approximately 200,000 individuals will have benefits eliminated by August 1983 for an average annual dollar loss of $2,500.

Benefit payments will be reduced by $30, $88, and $496 million for fiscal years 1982 to 1984 respectively.

ROUNDING OF BENEFITS

Prior law:

At each stage in the computation of benefits (after calculation of a worker's average indexed monthly earnings) the amount derived was rounded up to the next higher 10 cents.

Explanation of law as amended by Public Law 97-35:

Provides for rounding benefit amounts down to lower 10 cents at each stage of computing benefits (after calculation of a worker's average monthly earnings), except that the final amount actually payable to a beneficiary (after deduction of the SMI premium payment) would be rounded to the next lower dollar. The provision applies to all beneficiaries, except for "transitionally insured" (Byrnes) and "uninsured" (Prouty) cases.

Effective date:

This provision applies to calculations of all new benefit amounts, including cost-of-living adjustments and benefit recomputations, for periods after August 1981.

Impact:

This provision affects all current and future beneficiaries with an average annual dollar loss of $6 per year. Benefit payments will be reduced by $69, $238 and $275 million from the OASI trust fund and by $10, $34, and $39 million from the DI trust fund for fiscal years 1982 to 1984 respectively.

REIMBURSEMENT OF STATES FOR SUCCESSFUL REHABILITATION SERVICES

Prior law:

Prior law provided for reimbursement from social security trust funds to State vocational rehabilitation agencies for the cost of vocational rehabilitation services furnished to disabled workers, to the end that savings would result to the trust funds as a consequence of rehabilitating the maximum number of beneficiaries into productive activity. The selection of beneficiaries (workers, children, widows, and widowers) to receive services was made in accordance with criteria formulated by the Secretary of Health and Human Services which were based upon the effect the provision of such services would have upon the trust funds. Total amount of the funds that were made available for such reimbursement could not, in any year, exceed 1½ percent of the social security disability benefits paid in the previous year. Such services were supplied under a State plan which had been approved under the Vocational Rehabilitation Act to be used for individuals who met the Secretary's selection criteria. Payments could be made to States in installments and in advances or by way of reimbursement, with necessary adjustments for overpayments or underpayments.

Explanation of law as amended by Public Law 97-35:

This provision eliminates reimbursement from the trust funds to the State vocational rehabilitation agencies for rehabilitation services except in cases where the services have resulted in the beneficiary's performance of substantial gainful activity (SGA) for a continuous period of 9 months. Such nine-month period could begin while the individual is under a vocational rehabilitation program and may also coincide with the trial work period and during the individual's waiting period for benefits. The services must be performed under a State plan for vocational rehabilitation services under title I of the Rehabilitation Act. In the case of any State which is unwilling to participate or which does not have a plan which meets the requirements of the Vocational Rehabilitation Act, the Commissioner of Social Security may provide such services by agreement or contract with other public or private agencies, organizations, institutions or individuals. The determination that the VR services contributed to the successful return of the individual to SGA and the determination of the amount of costs to be reimbursed are made by the Commissioner of Social Security in accordance with criteria formulated by him. Payments under this provision can be made in advance or by way of reimbursement, with necessary adjustments for overpayments or underpayments.

Effective date:

The provision applies to services rendered on or after October 1, 1981.

Impact:

This provision will reduce outlays by $87, $86, and $73 million for fiscal years 1982 to 1984 respectively.

REDUCTION IN DISABILITY BENEFITS ON ACCOUNT OF OTHER RELATED PAYMENTS; EXTENSION OF OFFSET TO DISABLED WORKER BENEFICIARIES AGED 62 THROUGH 64 AND THEIR FAMILIES; CHANGE IN MONTH IN WHICH PAYMENTS ARE OFFSET

Prior law:

When a disabled worker under age 62 qualifies for both worker's compensation established under Federal or State law and social security disability benefits, the social security benefits payable to him and his family are reduced by the amount, if any, that the total monthly benefits payable under the two programs exceed 80 percent of his average current earnings before he became disabled. A worker's average current earnings for this purpose are the larger of (a) the average monthly earnings used for computing his social security benefits, or (b) his average monthly earnings in employment or self-employment covered by social security during the 5 consecutive years of highest covered earnings after 1950, or (c) his highest year's earnings in the period consisting of the calendar year in which he became disabled and the 5 years immediately preceding that year. Alternatives (b) and (c) are computed without regard to the limitations which specify a maximum amount of earnings creditable for social security benefits. The combined payments after the reduction are never less than the total amount of the DI benefits payable before the reduction. In addition, the social security benefit is increased by the full amount of the cost-of-living increase as applied to the unreduced benefit. Every 3 years the original amount of benefits subject to reduction is redetermined to reflect changes in average wage levels. If increases in the average national wages would result in a higher benefit than that payable based on the original computation, increased by cost-of-living adjustments, the benefit payable is increased effective January of the redetermination year.

The offset began in the month after the Social Security Administration (SSA) was notified that a worker is entitled to a worker's compensation payment under a Federal or State law.

The offset of the Social Security disability benefit is not made if the State worker's compensation law provides for an offset against Social Security disability benefits.

Explanation of law as amended by Public Law 97-35:

Applicability to Age 65: The new megacap offset applies to workers ages 62 through 64.

Megacap: The offset includes other disability benefits (total or partial disability, whether or not permanent) provided by Federal, State and local governments, except that needs-tested benefits, Veterans' Administration disability benefits, and benefits based on public employment covered by social security is not to be taken into account.

Reduction upon entitlement: The offset is imposed beginning with the month of first entitlement rather than with the month of notification of the Social Security Administration. Federal agencies are required to provide information to the Secretary to enable him to make timely reductions, and the Secretary is authorized to enter into agreements to get States and localities to obtain similar information.

Effective date:

The above three changes in law became effective with respect to initial entitlements to disability benefits after August 1981 but only for individuals who became disabled after February 1981.

The waiver of the offset only applies where the State program began offsetting on or before February 18, 1981.

Impact:

These provisions will reduce outlays by $87, $122 and $156 million for fiscal years 1982 to 1984 respectively.

The provision which extends the workmen's compensation offset from age 62 to age 65 will affect 4,000 recipients who turn 62 in the first full year this provision is effective. The average reduction in annual benefits for this group of recipients will be $1,500 per year. This does not include the individuals who are currently age 62, 63, or 64 and lose benefits.

EXTENSION OF COVERAGE TO FIRST SIX MONTHS OF SICK PAY

Prior Law:

Payments made to or on behalf of an employee of a private employer on account of sickness or accident disability were subject to social security taxes and were treated as covered earnings *unless* they were either: (1) paid under a qualified plan or system; or (2) paid after the employee had worked for the employer for more than six months. A qualified plan or system is one that applied to the employees of a firm generally or to a class or classes of employees. The existence of a plan or system was shown if the plan or system was in writing or was otherwise made known to employees (for example, through the medium of a bulletin board notice or the long and established practice of the employer). Other indications of the existence of a plan or system included, but was not limited to, contractual references to a plan or system, employer contributions to a plan, or segregated accounts for the payment of benefits.

With respect to railroad employment, the Railroad Retirement Tax Act, sec. 3201 et seq. of the Internal Revenue Code, excluded from taxable compensation the amount of any payment (including any amount paid by an employer for insurance or annuities) made to, or on behalf of, an employee or any of his dependents under a plan or system, or account of sickness or accident disability.

Under the Railroad Unemployment Insurance Act (sec. 2(a)) certain daily benefits were paid from the railroad unemployment insurance account for qualified employees for each day of sickness after the fourth consecutive day of sickness in a period of continuing sickness. In general, the daily benefit rate for such sickness was an amount equal to sixty percent of the employee's daily rate of compensation in a base year, but not less than $12.70 nor in excess of $25.00 per day. The maximum number of days of sickness within a benefit year for which benefits could be paid to an employee was 130 (26 weeks). Under present law these sickness and disability benefits were not taxable compensation for railroad retirement tax purposes.

Explanation of law as amended by Public Law 97-123:

This provision includes in the definition of wages, payments made to or on behalf of an employee on account of his absence from work due to sickness or accident disability unless the payments are either: (1) made after the expiration of 6 calendar months following the last calendar month in which the employee last worked for his employer; or (2) received under a workmen's compensation law. The definition of wages, both for tax and coverage purposes, includes payments made under a sick pay plan to an employee or any of his dependents by a third party on account of the employee's illness. However, in the case where an employee has contributed to such plan, "wages" or "compensation" shall not include that portion of such payments attributable to the employee's contributions. Payments which are received under a workmen's compensation law and those paid to an employee by either the employer or a third party more than six months after the employee last worked would continue to be excluded from the definition of wages, as under prior law.

Effective date:

Generally, the amendments made by this section apply to remuneration paid after December 31, 1981. However, these amendments do not apply to any third party payment made to an employee pursuant to a contractual relationship of an employer with such third party which was entered into before December 14, 1981, if the third party's coverage for that employee's group ceases before February 28, 1982 and no third party payment is made to such employee under that contract after February 28, 1982. In addition, interest and penalties which would normally be imposed for failure to make timely deposit of payroll taxes are waived with respect to taxes which are due before June 30, 1982, where such failure is due to reasonable cause and not willful neglect.

Impact:

Trust fund revenues will increase by $534, $762, and $828 million for fiscal year 1982 to 1984 respectively.

UNEMPLOYMENT TRUST FUND

Elimination of National Trigger Under the Extended Benefits Program

Prior law:

Under prior law, up to 13 additional weeks of extended unemployment compensation, beyond the usual maximum of 26 weeks of State benefits, was payable to unemployed individuals who exhausted their State benefits during periods of high unemployment. Extended benefits were payable in any State in which the insured unemployment rate (IUR—the percentage of workers covered by the State unemployment compensation program who are currently claiming State or extended benefits) was 4 percent or higher and, in addition, is 20 percent higher than the average of the same period in the previous two years. When the "20 percent factor" was not met, a State, at its option, could provide extended benefits when the State IUR reaches 5 percent, regardless of the rate in previous years. Thirty-nine States used this 5 percent optional trigger rate. Extended benefits were paid in all States, regardless of State unemployment rates, when the national IUR reached 4.5 percent. This is referred to as the "national extended benefits trigger."

Fifty percent of the costs of extended benefits are paid from proceeds of the Federal unemployment tax and fifty percent are paid from State unemployment taxes.

Explanation of law as amended by Public Law 97-35:

The national trigger is repealed so that extended benefits will only be payable in those states with insured unemployment as summarized under prior law.

Effective date:

Effective for weeks beginning after August 13, 1981.

Impact:

The impact analysis is highly sensitive to economic conditions. Based upon projections from the Congressional Budget Office approximately 640,000 individuals will lose an average of $1,080. Benefit payments will be reduced by $827, $1,273, and $1,418 million in fiscal years 1982 to 1984, respectively. Original estimates based upon lower unemployment rates were $657 of reduced outlays in fiscal year 1982 with no impact in fiscal years 1983 or 1984.

MODIFICATION OF OPTIONAL STATE TRIGGER LEVEL FOR EXTENDED BENEFITS

Prior law:

Under prior law, extended benefits were payable in any State in which the insured unemployment rate (IUR) was at least 4 percent and, in addition, was 20 percent higher than the average of the same period in the previous years. When the "20 percent factor" was not met, a State, at its option could provide extended benefits when the State IUR reached 5 percent, regardless of the IUR in previous years. Thirty-nine States use the 5 percent optional trigger rate.

Explanation of law as amended by Public Law 97-35:

The provision would raise the state trigger from 4 percent (plus 20 percent factor) to 5 percent (plus 20 percent factor) the insured unemployment rate at which extended benefits would be payable in any state. It also raises the optional state trigger from 5 percent to 6 percent.

Effective date:

For weeks beginning after September 25, 1982.

Impact:

This provision will reduce outlays by $1,152 and $448 million for fiscal years 1983 and 1984, respectively. This provision will affect 982,000, and 381,000 individuals in fiscal years 1983 and 1984, respectively. The average dollar loss per recipient will be approximately $1,200 annually. Original estimates based upon lower unemployment rates showed outlay reductions of $92 and $72 million for fiscal years 1983 and 1984, respectively.

EXCLUDE EXTENDED BENEFITS CLAIMANTS IN DETERMINING RATE OF INSURED UNEMPLOYMENT FOR EXTENDED BENEFIT TRIGGER CALCULATION

Prior law:

Under prior law, the insured unemployment rate (IUR)—used to determine unemployment levels for the purpose of triggering "on" extended unemployment compensation benefits—was calculated by dividing the average weekly number of individuals filing claims for regular State unemployment benefits or Federal/State extended benefits by the average monthly covered employment for the first four of the most recent six calendar quarters.

Explanation of law as amended by Public Law 97-35:

This provision excludes extended benefit claimants from the calculation of the IUR for extended benefits trigger purposes. Only individuals filing claims for regular State unemployment compensation would be included in calculating extended benefits trigger rates.

Effective date:

For weeks beginning after August 13, 1981.

Impact:

Revised CBO estimates indicate outlay reductions of $1,286, $1,283, and $1,225 million for fiscal years 1982 to 1984, respectively. Original estimates predicted outlay reductions of $561, $380, and $120 million for 1982 to 1984 respectively. It is anticipated that 1,085,000 individuals will lose extended benefits in fiscal year 1982 for an average loss of $1,185.

REQUIRE 20 WEEKS OF WORK OR EQUIVALENT WAGES FOR EXTENDED BENEFITS

Prior law:

Under prior law, all States require an individual to have worked for a certain length of time or to have earned a specified amount of wages in the base year to be eligible for State unemployment compensation benefits. There are no additional work or wage requirements for receipts of extended benefits. A person who exhausted State benefits during a period when extended benefits were payable, and who continued to meet all State and Federal requirements, was eligible to receive extended benefits for one-half of the number of weeks (up to a maximum of 13 weeks) he or she received State benefits.

Explanation of law as amended by Public Law 97–35:

This provision requires extended benefits claimants to have worked at least 20 weeks, or have an equivalent amount of wages, during the base period in order to receive extended benefits. A State could use one of the following measures of equivalent wages:

Wages equal to 40 times the claimant's weekly benefit amount; or

Wages equal to 1.50 times the claimant's wages earned in the quarter with the highest wages.

Effective date:

The provision is effective for weeks beginning after September 25, 1982.

Impact:

This provision will reduce outlays by $4 and $3 million for fiscal years 1983 and 1984 respectively.

LIMITATIONS ON UNEMPLOYMENT BENEFITS PAID TO EX-SERVICEMEN

Prior law:

Under prior law, federally funded unemployment benefits were provided to former military personnel upon their separation from military service if they meet the eligibility requirements of the State in which they apply for unemployment compensation. The military service of an individual qualified as wages or employment in the determination of eligibility for unemployment benefits only if the person has: (1) served 365 or more continuous days of active duty (unless separated after a shorter period because of a service incurred injury or disability) and (2) was separated under the other than dishonorable conditions. Leaving the military at the end of a term of enlistment, even if the person was eligible to reenlist, was not considered a "voluntary quit" under State law in the determination of eligibility for unemployment benefits.

Explanation of law as amended by Public Law 97-35:

This provision disqualifies for unemployment compensation those ex-servicemembers who leave the military at the end of a term of enlistment and are eligible to reenlist.

Effective date:

The provision applies to individuals who leave the military on or after July 1981, but only to weeks of unemployment compensation payable after date of enactment (August 13, 1981).

Impact:

This provision will reduce federal outlays by $325, $376, and $347 million for fiscal years 1982 to 1984 respectively. Some 157,000 individuals will be affected in fiscal year 1982 and their average loss in benefits will be $2,070. Original estimates showed outlay reductions of $265, $254, and $244 million for fiscal years 1982 to 1984, respectively.

FEDERAL UNEMPLOYMENT COMPENSATION LOANS TO STATES

Prior law:

Interest. The law before the enactment of the Omnibus Budget Reconciliation of 1981 provided for interest-free advances to States who apply to the Secretary of Labor for funds required to pay UC in an upcoming three-month period. The Secretary of Treasury pays interest, however, on the net reserves (excluding advances) in the State accounts of the Unemployment Trust Fund, which exceed that required to meet current withdrawals in each State. The interest rate equals "the average rate of interest, . . . borne by all interest-bearing obligations of the United States then forming part of the public debt."

Credit reduction. The FUTA imposes a net employer tax rate of 0.7 percent on the first $6,000 paid annually to each employee. The gross FUTA tax rate is 3.4 percent, but employers in States without an overdue outstanding advance from the Federal government are eligible for a 2.7 percent credit. This reduces the gross tax rate from 3.4 percent to the net tax of 0.7 percent.

States with an outstanding advance from the Federal government must repay it fully by November 10 of the calendar year in which the second consecutive January first passes with the State still having an outstanding advance. This means that a State may have from 22 months and 10 days to 34 months and 10 days to repay the advance without penalty, depending on when it obtained the outstanding advance. If it does not repay fully by the appropriate November 10, it becomes subject to an annual credit reduction applied to the calendar year beginning with the second consecutive January first in which the advance has been outstanding until the

State repays the advance fully. Employers must pay the additional taxes resulting from the credit reductions no later than January 31 of the next calendar year.

There are two other potential additional credit reductions during the ensuing calendar years in which a State has an outstanding advance: (1) in the calendar year after which the third and fourth consecutive January firsts pass, the employers in the State face a reduction by the amount that 2.7 percent exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies; (2) in the calendar years in which the fifth through ninth consecutive January firsts pass, the employers face a reduction equal to the higher of the amount in (1) or the amount that the State's five-year benefit-cost rate exceeds the State's average tax rate on taxable wages in the calendar year to which the reduction applies. The five-year benefit-cost rate is one-fifth of the UC benefits paid in the first 5 of the last 6 completed calendar years preceding the calendar year to which the credit reduction applies divided by taxable wages in the last calendar year.

Explanation of law as amended by Public Law 97-35:

Interest on advances. Effective April 1, 1982 through December 31, 1987, States must pay interest on new Federal advances to their accounts in the Unemployment Trust Fund that are not repaid by the end of the fiscal year in which they are obtained. The interest rate will be the same rate paid on the State account balances in the Unemployment Trust Fund for the fourth quarter of the previous calendar year up to 10 percent per annum. The States may not, however, pay the interest directly or indirectly from funds in their State accounts of the Unemployment Trust Fund. For example, a State may not lower its State unemployment taxes after paying the interest to compensate for financing the payment of interest from some other revenue source. If the Secretary of Labor determines that a State has paid the interest directly or indirectly from the State unemployment account, the Secretary shall not certify the State's unemployment compensation law. Loss of certification means that the State's employers would pay the 3.4 percent gross FUTA tax rate because they would no longer be eligible for the FUTA credit.

Interest on advances will not be charged if a State: (1) repays its advances in full before the end of the *fiscal* year in which it obtained the advance; and (2) obtains no additional advances before the end of the *calendar* year in which it repaid the advance. A State must pay *interest* no later than the first day of the next fiscal year if it does not repay the *advance* before the end of the fiscal year in which it was obtained. If a State obtains another advance before the end of the *calendar* year in which it repaid an advance before the end of the *fiscal* year in which it obtained the advance, interest on the repaid advance must be paid for the period preceding the end of the fiscal year in which the State had the advance not later than the day after the date on which the State obtained the new advance.

Any State repayment of Federal advances resulting from the automatic FUTA credit reductions triggered by overdue outstanding advances will be applied to the advances made first. Voluntary repayments, however, will be applied to the advances made last. In this way, States with outstanding advances from previous fiscal years can voluntarily repay advances obtained within the fiscal year in order to avoid interest charges, while continuing to repay older advances through the FUTA credit reduction. Also, the amendment allows States to defer payment of interest on advances obtained in the last five months of a fiscal year until the last day of the next taxable year. The interest charged on these advances, however, would be the same as if this deferral of payment did not exist, including interest on the deferred interest payment.

Limitation on credit reduction. Effective January 1, 1981 through December 31, 1987, the FUTA credit reduction automatically imposed on States with overdue outstanding advances will be limited to the higher of 0.6 percent or the reduction in effect during the preceding calendar year if the State meets certain solvency requirements. There are four solvency requirements. The first two hold for taxable years 1981 through 1987 and the last two hold only for taxable years 1983 through 1987. The Secretary of Labor must determine that the State has met these conditions by November 10 of the taxable year to which they apply:

1. The State did not reduce its unemployment tax effort in the fiscal year ending in the taxable year to which the credit reduction applies.
2. The State did not act in a way that caused a net decrease in solvency of its unemployment compensation program in the fiscal year ending in the taxable year to which the credit reduction applies.
3. The State unemployment tax rate on taxable wages in the taxable year equals or exceeds the average five-year benefit-cost rate for the State.
4. The State's outstanding advances at the end of fiscal years 1983 and 1984 must not exceed that at the end of 1981. Thereafter, the State's outstanding advances at the end of fiscal years 1985, 1986, and 1987 must not exceed that in fiscal years 1982, 1983, and 1984, respectively.

Additional provisions dealing with taxes and benefits to be counted in the calculation of the average tax rate on taxable wages and the five-year benefit-cost rate used in the third solvency requirement make it easier for States to qualify for the limit:

1. The tax rate provision counts the additional FUTA taxes resulting from the credit reduction as State unemployment taxes in the calculation of the average tax rate on taxable wages used for 1983. In 1984, however, only additional FUTA taxes exceeding 0.6 percent, the lower credit reduction limit, are counted as State unemployment taxes. Thereafter, only State unemployment taxes are counted.
2. The five-year benefit-cost rate provisions count only regular State unemployment compensation in the five preceding years ending in 1981 for the taxable year 1983. In the taxable year 1984, however, only regular State unemployment compensation is counted in the three preceding years ending in 1980 and the 50 percent State share of the Extended Benefits (EB) would be added to the regular State benefits for 1981 and 1982. In taxable year 1985, State EB expenditures would be counted

in all five previous years ending with 1983. Interest charges would be counted beginning with 1982 for taxable years 1985 through 1987. Also, all benefit-cost rates calculated must be rounded down to the nearest 0.1 percent.

Finally, while a State qualifies for the credit reduction limit, each January first that passes will not be counted in determining a subsequent credit reduction when it no longer qualifies for the limit. Consequently, when a State no longer qualifies for the credit reduction limit, its credit reduction process continues on the next step after the step at which it was when it qualified for the limit.

Effective date:

The credit reduction provision is effective from October 1, 1981 through December 31, 1987. The interest provision is effective from April 1, 1982 through December 31, 1987.

Impact:

No separate analysis is available. The impact of this provision is difficult to estimate since it depends upon accurate predictions of unemployment rates by State 3 to 5 years in the future.

AID TO FAMILIES WITH DEPENDENT CHILDREN AND CHILD SUPPORT ENFORCEMENT

Limitation and Standardization of Earnings Disregards

Prior law:

Under prior law, in making an initial determination of a family's eligibility for Aid to Families with Dependent Children (AFDC), there was disregarded from earned income any expense reasonably attributable to the earning of income, including child day care costs. In determining the amount of benefits to which an eligible family was entitled, there was disregarded from earned income the first $30 of monthly earnings, plus one-third of remaining earnings, plus child day care costs and other reasonable work-related expenses. After these deduction, whatever income remains was used to reduce the amount of the AFDC grant. The $30 plus one-third disregard did not apply to individuals who terminated or refused employment without good cause, or who failed to report their earnings.

There was no statutory limit on the amount of gross income a family might have and still remain on AFDC. Recipients became ineligible for benefits at the point their countable income equalled the AFDC payment standard, which in all but 4 States equalled the maximum benefit in July 1981.

Explanation of law as amended by Public Law 97-35:

This provision standardizes the work expense disregard at $75 per month for full time employment, caps the child care disregard at $160 per month, per child, and changes the order of the $30 plus one-third disregard.

States are required to disregard the following amount of earnings, in the following order:

(a) *Eligibility Determination*—the first $75 of monthly earnings for full time employment (in lieu of itemized work expenses); and the cost of care for a child or incapacitated adult, up to $160 per child per month.

(b) *Benefit Calculation*—the first $75 of monthly earnings for full time employment; child care costs up to $160 per child per month; and $30 plus one-third of earnings not previously disregarded.

The $30 plus one-third disregard is allowed only during the first 4 consecutive months in which a recipient has earnings in excess of the standard work expense and child care disregards. After 4 months, the benefit must be determined without the $30 plus one-third disregard for each month the family continues to receive AFDC and for 12 consecutive months after AFDC is terminated.

In addition, eligibility for AFDC is limited to families with gross incomes at or below 150 percent of the States standard of need.

In addition, the States are prohibited from making AFDC payments of less than $10 a month. Individuals denied a benefit as a result of this provision would be considered recipients for all other purposes, including medicaid eligibility.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases, the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

The following example illustrates the impact of these changes on an AFDC mother working full time at the minimum wage with child care expenses of $100 per month. The State need and payment standard are assumed to be $420 per month.

	Prior law	Current law	
		First 4 months	After 4 months
Gross earnings	581	581	581
Plus earned income credit	+32	+32	+32
Minus disregards:			
Initial disregards	−30	−105	−75
One-third of rest	−194	NA	NA
Child care	−100	−100	−100
One-third of rest	NA	−136	0
Other expenses (for example payroll tax and transportation)	−70	0	0
Total disregards	394	341	175
Total income to count against AFDC benefits	219	272	438
AFDC benefit	201	148	0

These provisions are expected to reduce Federal AFDC outlays by $156, $159, and $162 million for fiscal years 1982 to 1984 respectively. The original estimates for these provisions were $425, $433, and $441 million for fiscal years 1982 to 1984 respectively. The change in the estimates results primarily from different assumptions regarding the work effort of the individuals impacted by the change.

In the first full year these provisions are effective, it is estimated that 260,000 families will receive reduced AFDC benefits. In addition, 300,000 families will lose eligibility for AFDC and will consequently also lose medicaid protection.

DETERMINATION OF RESOURCES

Prior law:

The equity value (rather than fair market value) of resources was required to be considered in determining AFDC eligibility. Regulations established a maximum of $2,000 per recipient in real and personal property, including liquid assets, which States might exclude. States could also exclude a home, personal effects, an automobile, and income-producing property.

Explanation of law as amended by Public Law 97-35:

Allowable resources are limited to $1,000 (equity value) per family, excluding the home and one automobile. The value of the automobile is limited by regulations. Regulations permit States to exclude "basic items" essential to daily living, such as clothing and furniture.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

This provision will reduce Federal AFDC outlays by $16, $17, and $17 million in fiscal years 1982 to 1984 respectively.

PERMIT OFFSET FOR FOOD STAMPS AND HOUSING SUBSIDIES

Prior law:

Under prior law, States were permitted to "consolidate" the standard to be used in determining AFDC payments. That is, the standard could provide a dollar amount to cover all basic needs, or it could provide amounts for certain specified items. Federal regulations did not require that a standard of assistance include any specific items or number of items. In setting the dollar amount of the standard, a State could or could not take into account the availability of food stamps. In addition, the State standard could decide whether to take into account the value of available housing subsidies.

Explanation of law as amended by Public Law 97-35:

This provision explicitly permits States to take into account the value of benefits received from food stamps or housing subsidies. This would be done by treating the value of the food stamp coupons or housing subsidy as income, up to the value for food or shelter that is included in the State standard.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

The Administration estimates the Federal AFDC savings from this provision to be $100, $103, and $105 million respectively for fiscal years 1982 to 1984. Revised CBO projections indicate Federal AFDC outlay reductions of $10, $10, and $11 million for fiscal years 1982 to 1984 respectively.

LUMP SUM PAYMENTS

Prior law:

Any payment that met the definition of income—(e.g., retroactive social security benefits) was to be counted as income in the month receipt and any portion of the payment that was not spent in that month usually was considered a resource in the months thereafter.

Explanation of law as amended by Public Law 97-35:

This provision requires that income received in a month be considered available as income in the month it is received and also in future months. Thus, if such income exceeds the standard of need in the month of receipt, the family will be ineligible in that month. In addition, any amount of the income that exceeds the initial month's needs standard must be divided by the monthly needs standard, and the family will be ineligible for aid for the number of months resulting from that calculation.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

This provision is estimated to reduce Federal AFDC outlays by $5 million for each of the fiscal years from 1982 to 1984.

INCOME OF STEPPARENTS LIVING WITH DEPENDENT CHILDREN

Prior law:

States were prohibited from considering the income of a stepparent, unless, under State law, stepparents were required to support stepchildren to the same extent that natural parents were required to support their children. Income could be counted in cases in which the welfare agency received only information that money had actually been contributed. States could prorate AFDC shelter and utility benefits when an eligible child lived with a relative, including a stepparent, who was not an AFDC recipient—as long as the total income exceeded the State's standard of need.

Explanation of law as amended by Public Law 97-35:

This provision requires that part of the income of a stepparent be counted in determining eligibility and benefit amounts for AFDC applicants and recipients. Countable income would include any amount which exceeds: (1) the first $75 of earned income (a smaller amount may be prescribed for less than full-time work); (2) the amount specified in the State's standard of need as the amount required by the stepparent to support himself and his dependents living in the same household; (3) amounts paid by the stepparent to dependents living outside the household; and (4) payments of alimony or child support to individuals not in the same household. The law would be amended to preclude prorating of shelter allowances with regard to persons to whom this provision applies.

Effective date:

October 1, 1981.

Impact:

The Administration estimates savings of $108, $111, and $113 million for fiscal years 1982 to 1984 respectively. Revised CBO estimates of Federal AFDC savings are $154, $145, and $136 million for fiscal years 1982 to 1984 respectively.

Approximately 200,000 children residing with their stepfather in 100,000 families will lose benefits. This is approximately 2.7 percent of the caseload. The average family will lose $1,950 in AFDC benefits plus medicaid coverage for these children.

The medicaid savings are not reflected in the above estimates.

The number of families with reduced benefits or made ineligible as a result of these provisions are shown in Table 5 for each State. Those estimates are for the original Administration proposals, which were very similar to the actual proposals enacted into law. The estimates incorporate the effect of counting stepparent income; eliminating eligibility of children age 18 to 20; counting EITC advance payments; standardizing work expense and child care deductions and applying the one-third disregard to net income, (5) eliminating $30 and one-third disregard for determining eligibility after four months, (6) eliminating benefits when gross income exceeds 150 percent of need standard, and (7) the $10 minimum payment.

TABLE 5.—SUMMARY TABLE SHOWING FAMILIES THAT LOSE, OR ARE MADE INELIGIBLE BY CUMULATIVE EFFECTS OF PROPOSALS, FISCAL YEAR 1982 [1]

	Families with reduced benefits		Families made ineligible	
	Number	Percent	Number	Percent
Alabama	4,900	7.4	9,291	14.0
Alaska	230	3.7	542	8.8
Arizona	1,679	10.0	1,400	8.3
Arkansas	2,880	8.8	4,180	12.8
California	42,010	8.2	51,017	10.0
Colorado	3,006	9.9	4,726	15.5
Connecticut	3,836	7.9	8,019	16.4
Delaware	870	7.2	1,240	10.3
District of Columbia	2,529	7.4	3,311	9.6
Florida	3,746	4.0	10,307	11.0
Georgia	2,452	2.9	9,582	11.3
Hawaii	3,034	14.8	3,030	14.8
Idaho	499	6.1	1,000	12.1
Illinois	14,606	6.3	15,983	6.9
Indiana	3,756	6.9	10,153	18.7
Iowa	3,698	10.7	5,217	15.0
Kansas	1,553	6.3	5,666	23.0
Kentucky	1,821	2.8	9,269	14.0
Louisiana	3,335	4.7	5,081	7.2
Maine	1,592	7.3	4,794	22.1
Maryland	3,793	4.8	10,853	13.8
Massachusetts	12,048	8.9	25,971	19.1
Michigan	22,059	9.9	20,622	9.2
Minnesota	5,925	11.2	13,901	26.3
Mississippi	4,027	6.6	11,528	19.0
Missouri	5,364	7.6	13,948	19.7
Montana	290	4.5	1,744	27.3
Nebraska	1,392	11.0	1,629	12.8
Nevada	654	16.7	0	0
New Hampshire	1,184	16.0	591	8.0
New Jersey	13,638	8.5	11,777	7.3
New Mexico	1,444	7.9	580	3.2
New York	19,367	5.0	15,221	3.9
North Carolina	3,898	4.8	9,902	12.2
North Dakota	621	12.1	1,051	20.4
Ohio	7,672	4.2	15,899	8.8
Oklahoma	1,133	3.6	1,812	5.8
Oregon	4,444	9.6	3,348	7.3
Pennsylvania	15,529	6.8	24,632	10.8

TABLE 5.—SUMMARY TABLE SHOWING FAMILIES THAT LOSE, OR ARE MADE INELIGIBLE BY CUMULATIVE EFFECTS OF PROPOSALS, FISCAL YEAR 1982 [1]—Continued

	Families with reduced benefits		Families made ineligible	
	Number	Percent	Number	Percent
Rhode Island	2,643	13.8	1,920	10.0
South Carolina	2,127	3.8	6,171	11.1
South Dakota	741	9.5	925	11.9
Tennessee	1,126	1.8	7,085	11.0
Texas	4,058	4.1	8,119	8.3
Utah	1,596	11.4	2,084	14.9
Vermont	339	4.2	1,356	16.7
Virginia	4,469	7.1	8,227	13.1
Washington	3,166	5.7	2,253	4.1
West Virginia	1,411	5.0	1,406	4.9
Wisconsin	10,183	13.4	12,068	15.9
Wyoming	153	5.7	408	15.3
U.S. total	258,528	6.9	400,836	10.7

[1] These estimates incorporate the effect of the following seven proposals: (1) counting stepparent income, (2) eliminating eligibility of children age 18–20, (3) counting EITC advance payments, (4) standardizing work expense and child care deductions and applying the one-third disregard to net income, (5) eliminating $30 and one-third disregard for determining eligiblity after four months, (6) eliminating benefits when gross income exceeds 150 percent of need standard, and (7) the $10 minimum payment.

EFFECTS OF PARTICIPATION IN A STRIKE ON ELIGIBILITY OF AFDC

Prior law:

Under prior law, Federal law did not expressly exclude strikers from AFDC eligibility. States had to pay AFDC benefits to households where the caretaker relative was not required to work, even though the caretaker could work if not involved in a labor dispute (as long as the family met other eligibility requirements). Where eligibility was based on the unemployment of a parent, the States had the option of paying or denying benefits to households where the parent's unemployment results from a strike.

Explanation of law as amended by Public Law 97–35:

This provision requires States to specify that striking workers must comply with all AFDC provisions concerning work registration and training. No AFDC is payable to a family in which the caretaker relative is engaged in a strike on the last day of the month, and no individual participating in a strike may have his or her needs included in computing the amount of the AFDC grant.

Effective date:

October 1, 1981, unless that State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

CBO estimates that this provision will reduce Federal AFDC outlays by $5 million in each of the fiscal years from 1982 to 1984. The Administration estimates that 1,600 families will lose AFDC eligibility as a result of this provision.

AGE LIMIT OF DEPENDENT CHILD

Prior law:

Under prior law, States had the option of establishing the maximum age of a dependent child who was eligible for assistance. States could choose to limit eligibility to a child who was under age 18 or to include students age 18 through 20 who were regularly attending primary, secondary, vocational school, or college.

Explanation of law as amended by Public Law 97-35:

This provision amends the definition of "dependent child" to limit benefits to children through age 17, but to permit a State to provide benefits through age 18 to those who are completing high school.

Effective date:

October 1, 1981.

Impact:

Initial Administration estimates indicated a reduction of Federal AFDC outlays of $100, $104, and $108 million is each of the fiscal years from 1982 to 1984 respectively. Revised CBO estimates are a reduction of AFDC outlays of $50, $52, and $54 million in fiscal years 1982 to 1984 respectively.

LIMITATION ON AFDC FOR PREGNANT WOMEN

Prior law:

Under prior law, States had the option of paying AFDC benefits to pregnant women with no other children.

Explanation of law as amended by Public Law 97-35:

This provision prohibits AFDC for pregnant women with no other children until the 6th month of pregnancy. However, a State could provide medicaid for AFDC-eligible pregnant women with no children from the determination of pregnancy.

Effective date:

October 1, 1981.

Impact:

This provision will reduce Federal AFDC outlays by $20, $21, and $21 million in fiscal years 1982 to 1984 respectively.

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RECOVER OVERPAYMENTS AND PAY UNDERPAYMENTS

Prior law:

Federal law did not address the issue of overpayments and underpayments. By regulation, States were given the option of whether or not to recoup overpayments. However, if States recovered overpayments they also had to pay underpayments.

Explanation of law as amended by Public Law 97-35:

The Act requires States to correct overpayments and underpayments. Recovery of overpayments would be made from current assistance payments, available income and resources, and, for an individual who no longer receives assistance, through the legal process. In any month when overpayments are being recovered, the AFDC payment, together with the recipient's liquid resources and all income, must equal at least 90 percent of the payment a family would receive if there were no disregards from earned income.

Effective date:

October 1, 1981.

Impact:

This provision will reduce Federal AFDC outlays by $115, $110, and $106 million for fiscal years 1982 to 1984, respectively.

REDUCED FEDERAL MATCH FOR TRAINING

Prior law:

Under prior law, the Federal Government reimbursed the States for 75 percent of training expenses for employees (or those preparing for employment) of State or local agencies administering the AFDC program. All other administrative expenses are matched at a 50 percent rate.

Explanation of law as amended by Public Law 97-35:

This provision requires that training expenses be matched by the Federal Government at a 50 percent rate rather than 75 percent.

Effective date:

October 1, 1981.

Impact:

This provision will reduce Federal AFDC outlays by $16, $17, and $18 million in fiscal years 1982 to 1984 respectively (and will *increase* State expenditures).

RETROSPECTIVE ACCOUNTING AND MONTHLY REPORTING

Prior law:

Prior law did not specify a particular accounting period for determining AFDC eligibility and benefits, except that person's income had to be considered on a monthly basis. Federal statue made no mention of how frequently AFDC recipients must submit reports to the welfare agency. Under Federal regulations, each State could choose to pay "retrospectively" or "prospectively." "Retrospectively" means paying a recipient after a month has ended on the basis of the person's actual income during the month. "Prospectively" means paying a recipient during or before a month, based on what the recipient's circumstances are expected to be during the month.

If a State used retrospective accounting, it had to require monthly income reports from recipients with earned income, and could require reports from other recipients. As of March 1981, 12 States used the retrospective accounting method: Arizona, California, Idaho, Illinois, Kansas, Michigan, Montana, North Dakota, Oregon, South Dakota, Washington, and Wyoming. This method was also used in parts of Colorado. In addition, Minnesota, Missouri, and Utah required monthly reports from those with earnings and with work histories, but used a prospective accounting method.

Explanation of law as amended by Public Law 97-35:

This provision requires States to determine monthly benefits "retrospectively," on the basis of the actual income of the previous month. Eligibility would be determined "prospectively," on the basis of current month's circumstances. For the first month a family's eligibility, benefits would be determined on current month's circumstances. States would have to require all recipients to provide monthly reports on income, family composition, resources, etc.

The Secretary could allow a State to require less frequent reporting for specified classes of recipients, if the State demonstrates the administrative cost of monthly reporting for such recipients is not worthwhile.

Effective date:

October 1, 1981.

Impact:

CBO estimates that this provision will reduce Federal AFDC outlays by $187 and $195 million for fiscal years 1983 and 1984 respectively.

ELIGIBILITY OF ALIENS FOR AFDC

Prior law:

Under prior law and regulations, in order for an alien to be eligible for AFDC payments, he had to be lawfully admitted for permanent residence or otherwise permanently residing in the United State "under color of law." An alien seeking admission to the United States must establish that he is not likely to become a public charge. If a visa applicant does not have sufficient resources of his own, a U.S. consular officer may require assurance from a resident of the United States that the alien will be supported by a "sponsor" in the United States. However, under prior law, the income of a sponsor of an alien legally admitted to the United States was not counted as income available to the alien under the AFDC program.

Explanation of law as amended by Public Law 97-35:

This provision provides that, for purposes of eligibility for AFDC, legally admitted aliens who apply for benefits for the first time after September 30, 1981 would be deemed to have the income and resources of their immigration sponsors available for their support for a period of 3 years after their entry into the United States. The eligibility of such aliens for AFDC would be contingent upon their obtaining the cooperation of their sponsors in providing necessary information to the State welfare agency to carry out this provision. The alien and the sponsor would be jointly and severally liable for repayment of any benefits incorrectly paid because of misinformation provided by the sponsor or because of his failure to report, and any such incorrect payments not paid would be withheld from any subsequent payments for which the alien or sponsor would otherwise be eligible under the Social Security Act.

A sponsor's income deemed to the alien is to be considered unearned income and to result in a dollar-for-dollar reduction in the alien's AFDC benefit. The amount to be deemed is to be equal to the total monthly amount of earned and unearned income of the sponsor and the sponsor's spouse reduced by an amount equal to the sum of (1) the lesser of 20 percent of earned income, or $175; (2) the standard of need of the State for a family of the same size and composition as the sponsor and other individuals claimed by him as dependent (for Federal income tax purposes) who are living in the same household as the sponsor; (3) any amounts paid by the sponsor to individuals not living in the household who are claimed as dependents (for Federal income tax purposes); and (4) any payments of alimony or child support with respect to individuals not living in the household.

The amount of resources to be deemed to the alien equals the amount of the resources of the sponsor and spouse as determined under the State's AFDC resource rules, reduced by $1,500.

Under the provision, an alien applying for AFDC is to be required to make available to the State agency any documentation concerning his income or resources or those of his sponsor (if he has one) which he provided in support of his immigration application. The Secretary of Health and Human Services is authorized to obtain copies of any such documentation from other agencies (i.e., State Department or Immigration and Naturalization Service), and to provide the information, upon request, to a State agency. The Secretary of HHS is required to enter into cooperative arrangements with the State Department and the Justice Department to assure that the persons sponsoring the immigration of aliens are informed at the time of sponsorship that, if the alien applies for AFDC, the sponsorship affidavit is made available to the public assistance agency and that the sponsor may be required to provide further information concerning his income and assets in connection with the alien's application for assistance.

Under the provision, the income and resources of a sponsor which are deemed to an alien in a family are not considered in determining the need of other, non-sponsored family members (e.g. a child born after entry into the U.S.) except to the extent such income or resources are actually available to them.

The provision does not apply to any alien who is (1) admitted to the United States as a result of the application, prior to April 1, 1980, of the provisions of section 203(a)(7) of the Immigration and Nationality Act; (2) admitted to the United States as a result of the application, after March 31, 1980, of the provisions of section 207(c)(1) of such Act; (3) paroled into the United States as a refugee under section 212(d)(5) of such Act; (4) granted political asylum by the Attorney General under Section 208 of such Act; or (5) a Cuban or Haitian entrant as defined in section 501(e) of the Refugee Education Assistance Act of 1980.

Effective date:

October 1, 1981.

Impact:

This provision is estimated to reduce Federal AFDC outlays by $15 million for each of the fiscal years from 1982 to 1984.

COLLECTION OF PAST-DUE CHILD AND SPOUSAL SUPPORT FROM FEDERAL TAX REFUNDS

Prior law:

The Secretary of HHS was required, upon the request of a State having an approved child support program, to certify to the Secretary of Treasury for collection by the Internal Revenue Service of amounts which represent delinquent child support payments. The Secretary could certify only the amount delinquent under a court order for support, and only upon a showing by the State that it has made diligent and reasonable efforts to collect amounts due using its own collection mechanisms. States had to agree to reimburse the Federal Government for any costs involved in making the collection. Collections could be made on behalf of both AFDC and non-AFDC families.

Explanation of law as amended by Public Law 97-35:

This provision amplifies existing authority in the following way. Upon receiving notice from a State child support agency that an individual owes past-due support which has been assigned to the State as a condition of AFDC eligibility, the Secretary of Treasury is required to withhold from any tax refunds due that individual an amount equal to any past-due support. The withheld amount would be sent to the State agency, together with notice of the taxpayer's current address. The Secretary of Treasury is required to issue regulations, approved by the Secretary of HHS, prescribing the timing and contents of notices by the States. States would be required to reimburse the Federal Government for the cost of the procedure. "Past-due support" is defined as the amount of a delinquency determined under court order or an order of an administrative process established under State law for support and maintenance of a child, or of a child and the parent with whom the child is living.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

CBO estimates that this provison will reduce Federal outlays by $24 $26, and $29 million in fiscal years 1982 to 1984 respectively.

COLLECTION OF SUPPORT FOR CERTAIN ADULTS

Prior law:

State child support agencies were authorized to collect support on behalf of a child but not on behalf of a parent.

Explanation of law as amended by Public Law 97-35:

This provision adds authority to enforce obligations for support of the parent with whom the child is living. This implies that the Secretary's standards apply also to collection of support for a parent with whom the child is living. The law gives the Secretary of the Treasury added authority to collect support obligations with respect to the parent with whom the child is living and who is receiving AFDC. This provision allows collection of obligations established by administrative process under State law as well as court order. It also allows use of the Federal Parent Locator Service (PLS) by a person who has the authority to collect spousal support as well as child support.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases, the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

CBO estimates that this provision will reduce Federal AFDC outlays by $20 million in each of the fiscal years from 1982 to 1984.

COST OF COLLECTION AND OTHER SERVICES FOR NON-AFDC FAMILIES

Prior law:

States were required to provide services to non-AFDC families requesting them. States had the option of charging a fee of up to $20 and of retaining a portion of the child support payments to recover costs of administration in excess of the application fee.

Explanation of law as amended by Public Law 97-35:

Requires States to retain a fee equal to 10 percent of the support collected. This 10 percent fee is to be charged against the absent parent and added to the amount of the collection.

Effective date:

October 1, 1981, unless the State agency demonstrates that it cannot, by reason of State law, comply with the requirement. In such cases the Secretary of HHS may prescribe an effective date no later than the first month which begins after the close of the first session of the State's legislature ending on or after October 1, 1981.

Impact:

This provision will reduce Federal AFDC outlays by $10, $20, and $30 million for fiscal years 1982 to 1984 respectively.

CHILD SUPPORT OBLIGATIONS NOT DISCHARGED BY BANKRUPTCY

Prior law:

A child support obligation assigned to a State as a condition of AFDC eligibility could be released by a discharge in bankruptcy under the Bankruptcy Act.

Explanation of law as amended by Public Law 97-35:

This provision reverses the effect of an amendment made by section 328 of Public Law 95-598 and reinstates a provision of the Social Security Act, previously in effect, declaring that a child support obligation assigned to a State as a condition of AFDC eligibility is not discharged in bankruptcy.

Effective date:

Effective upon enactment (August 13, 1981).

Impact:

This provision is estimated to reduce Federal AFDC outlays by $15, $18 and $23 million for fiscal years 1982 to 1984.

CHILD SUPPORT INTERCEPT OF UNEMPLOYMENT BENEFITS

Prior law:

Prior Federal law required the State agency charged with the administration of the State unemployment compensation law to disclose wage and other information related to the receipt of State unemployment compensation benefits, upon request and on a reimbursable basis, to any State or local child support enforcement agency. Under prior law, there was no Federal requirement that unemployment benefits be withheld in cases of outstanding child support obligations. Some States did have such requirements in their State unemployment compensation laws or, as a matter of administrative practice, withheld from unemployment benefits amounts garnished for child support.

Explanation of law as amended by Public Law 97-35:

Requires child support enforcement agencies to determine on a periodic basis whether any individuals who owe child support obligations enforceable by the agency are receiving unemployment compensation or trade adjustment assistance benefits (under chapter 2 of the Trade Act of 1974). The child support enforcement agency is required to collect any outstanding child support obligations owed by an individual receiving unemployment benefits—through an agreement with the individual or, in the absence thereof, the legal processes of the State—by having a portion of the individual's employment benefits withheld and forwarded to the State child support agency. As a condition for receipt of Federal administrative grants under title III of the Social Security Act, agencies charged with the administration of the State unemployment compensation laws are required to withhold and forward to the child support agency the amount of the individual's unemployment benefits specified in the agreement or otherwise required to be withheld as a result of legal process. An agreement to withhold less than the full amount owed does not excuse the individual's legal obligation. Amounts withheld are to be forwarded to the child support agency.

Effective date:

October 1, 1981.

Impact:

CBO estimates that this provision will reduce Federal AFDC outlays by $17 million in each of the fiscal years from 1982 to 1984.

SUPPLEMENTAL SECURITY INCOME (SSI)

Retrospective Accounting

Prior law:

Under prior law, determinations of eligibility and benefit amount were generally made on the basis of income anticipated to be available in the calendar quarter, i.e., prospectively.

Explanation of law as amended by Public Law 97–35:

This provision requires that the SSI benefit amount, in general, be determined on the basis of the prior month's income and circumstances, i.e. retrospectively. Eligibility would be determined on the basis of income and other circumstances of the current month, i.e. prospectively. However, both eligibility and benefit amount are to be determined on a current (prospective) basis for the month in which an application is filed.

In addition, the provision provides authority for the Secretary to waive the requirement that the SSI benefit standard be reduced to $25 in the case of individuals in certain medical institutions in order to promote the individual's removal in the following month from the institution to a less restrictive living arrangement. Upon waiver, the Secretary shall apply, to the month of removal and the preceding month, the benefit rate that was appropriate to the individual's living arrangement subsequent to his removal from the institution.

It allows the Secretary, under conditions determined by him to be necessary and appropriate, to make a transitional payment or payments during the first two months for which the amendent is effective.

Effective date:

Effective with respect to months after the first calendar quarter which ends more than five months after the month of enactment.

Impact:

Initially, the Administration estimated that this provision would reduce Federal SSI outlays by $30, $60, and $60 million for fiscal years 1982 to 1984 respectively. However, recent CBO estimates indicated that this provision will result in *increased* SSI outlays of $77, $20, and $24 million for fiscal years 1982 to 1984 respectively. This change in estimates recognizes that the cost-of-living adjustment made to social security benefits would not be counted as income for 1 month, resulting in higher SSI payments than would have occurred under prior law.

FUNDING OF REHABILITATION SERVICES FOR ADULT SSI RECIPIENTS

Prior law:

Under prior law, the Secretary of HHS had authority to reimburse State vocational rehabilitation agencies for services to blind and disabled recipients of the SSI program. Recipients who were referred to State agencies for services were required to accept them as a condition of eligibility for SSI.

Explanation of law as amended by Public Law 97-35:

This provision repeals the authority under SSI for the Secretary to reimburse for vocational rehabilitation services.

Effective date:

Effective October 1, 1981.

Impact:

CBO estimates that this provision will result in reduced SSI outlays of $20, $18 and $15 million for fiscal years 1982 to 1984 respectively.

SOCIAL SERVICES

Prior law:

Title XX of the Social Security Act authorizes funds to be provided on an entitlement basis to States for social services. Each State's share is determined on the basis of the proportion of its population to the total population of all the States.

Prior law provides for funding the program at the following levels: $3.0 billion in 1982; $3.1 billion in 1983; $3.2 billion in 1984; $3.3 billion in 1985 and after.

Eligibility for title XX funded social services is determined by States within certain parameters set by Federal law. Those parameters establish a minimum level of Federal priorities with respect to those individual and families to be served. Title XX law requires that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI, or medicaid.

With certain exceptions, no person with gross family income higher than 115 percent of the State's median income for a family of four (adjusted for family size) may receive title XX funded services.

States must charge fees reasonably related to income for services to individuals or families with incomes higher than 80 percent of the State's median income or the median income of all States, whichever is lower, and may, at their option, charge fees for services to persons below that income level.

Explanation of law as amended by Public Law 97-35:

The fund level was reduced to $2.4 billion in fiscal year 1982; $2.45 billion in fiscal year 1983; $2.5 billion in fiscal year 1984 and $2.6 billion in fiscal year 1985 and beyond. The new Social Services block grant *eliminated* the federally mandated priority that at least 50 percent of the Federal title XX funds received by a State must be expended for services to recipients of AFDC, SSI or medicaid. In addition, there are no income limitations on who may receive benefits. The state is completely free to determine its fee schedule including the option of not charging fees at all.

With the enactment of Public Law 97-35, States have the authority to transfer up to 10 percent of their title XX social services allotment to one of any combination of the block grants for community services; low income home energy assistance; preventive health services; primary health care; and maternal and child health services.

Effective date:

October 1, 1981.

Impact:

These provisions are expected to reduce Federal outlays by $685, $748, and $804 million in fiscal years 1982 to 1984, respectively.

LOW INCOME ENERGY ASSISTANCE

Prior law:

During fiscal year 1981, $1.85 billion was appropriated for low-income energy assistance. Authority for providing low-income energy assistance existed during fiscal year 1981 in the Economic Opportunity Act of 1964 and the Home Energy Assistance Act of 1980 (title III of the Crude Oil Windfall Profit Tax of 1980). To be eligible for LIEA benefits, a household must have had at least one individual who was "categorically eligible" (e.g., AFDC, SSI, or certain veteran benefits), or the household's income must have been at or below 125 percent of the poverty level.

In 1981, LIEA funds appropriated remained available until spent.

Explanation of law as amended by Public Law 97-35:

The new law allows Federal funds to be used for the categorically eligible or for households whose income is below 150 percent of the poverty line or 60 percent of the State's median income (adjusted for family size). Up to 25 percent of a State's allotment may be held by the State for use in the following fiscal year. Amounts above 25 percent that are not expended may be reallocated by the Secretary of HHS.

The State has the flexibility to transfer up to 10 percent of its allotment to other health and social services block grants and may use up to 15 percent of its allotment for low-cost weatherization or other energy related home repairs for low-income households.

States may no longer use LIEA funds to make payments directly to building operators in assisted housing projects as a means of providing assistance to low-income households.

Effective date:

October 1, 1982

Impact:

From a CBO base of $2.247, $2.547 and $2.867 billion for fiscal years 1982 to 1984, CBO estimated savings of $495, $672, and $992 million for fiscal years 1982 to 1984 respectively.

MEDICARE

PROVISIONS AFFECTING HOSPITAL INSURANCE (PART A)

MAKING PART A COINSURANCE AND DEDUCTIBLE MORE CURRENT

Prior law:

Each year the Secretary determines the new inpatient hospital deductible (and the coinsurance amounts) on the basis of the relationship between the average amount medicare paid per day for inpatient hospital services during the preceding year and the amount the law deemed for this purpose to be the average cost per day in 1966 ($40).

Explanation of law as amended by Public Law 97-35:

The part A coinsurance and deductible are made more current by adding $5 to the base figure of $40 in the formula that is used in the annual determination of the inpatient hospital deductible.

Effective date:

The provision would apply with respect to inpatient hospital services furnished in calendar years beginning with 1982.

Impact:

As a result of this provision, the part A deductible, which was scheduled to increase from $204 in 1981 to $228 in 1982, will increase to $260 in 1982. There were corresponding increases in medicare part A coinsurance amounts.

This provision is expected to reduce outlays by $185, $305, and $360 million respectively for fiscal years 1982 to 1984.

MAKING PART A COINSURANCE CURRENT WITH THE YEAR IN WHICH SERVICES ARE FURNISHED

Prior law:

The part A coinsurance for hospital days beyond the 60th day and for skilled nursing facility days beyond the 20th day is determined as a fraction of the inpatient hospital deductible in effect for the year in which a spell of illness begins.

Explanation of law as amended by Public Law 97-35:

This provision will base the part A coinsurance on the deductible for the year in which services are rendered rather than the year in which the spell of illness began. The deductible for calendar year 1982 is $260.

Effective date:

Inpatient hospital services and post-hospital extended care services furnished on or after January 1, 1982.

Impact:

This provision will reduce outlays by $5, $10, and $10 million respectively for fiscal years 1982 to 1984.

SET SECTION 223 LIMITS ON REIMBURSEMENT TO HOSPITAL AT 108 PERCENT

Prior law:

Section 223 of the 1972 amendments to the Social Security Act authorizes the Secretary of HHS to establish limits of the costs to be reimbursed under medicare. By regulation, medicare reimbursement limits on hospital inpatient general routine operating costs are set at 112 percent of the mean costs of each comparable group of hospitals.

Explanation of law as amended by Public Law 97-35:

Medicare reimbursement limits on inpatient routine hospital costs will be set at a level no higher than 108 percent of the mean.

Effective date:

The provision is effective for cost reporting periods of hospitals ending after September 30, 1981, but the lower limits are applicable only in proportion to that portion of the reporting period occurring after that date.

Impact:

This provision will reduce reimbursement to some hospitals. The outlay savings are estimated to be $75, $105, and $125 million for fiscal years 1982 to 1984 respectively.

LIMIT NURSING DIFFERENTIAL TO 5 PERCENT

Prior law:

In determining "reasonable cost" for inpatient routine hospital services under medicare, the Secretary has, by regulation, since

July 1, 1969, included in reimbursable costs in 8.5 percent plus factor for inpatient routine nursing salary costs.

Enactment of law as amended by Public Law 97-35:

The 8.5 percent differential is lowered to 5 percent. The Comptroller General is also required to conduct a study to determine the extent to which the average cost of efficiently providing routine inpatient nursing care to medicare beneficiaries exceeds the average cost of providing such care to other patients.

Effective date:

Applies with respect to cost reporting periods ending after September 30, 1981, but only in proportion to that part of the hospital's cost reporting period occurring after that date. Report due within 6 months of enactment, i.e., prior to February 13, 1982.

Impact:

The provision will affect reimbursement to all hospitals with medicare benficiaries and will reduce medicare outlays by $95, $105 and $130 million for fiscal years 1982 to 1984 respectively.

ELIMINATION OF OCCUPANCY TEST FOR HOSPITAL LONG-TERM CARE

Prior law:

Prior law, as amended by Public Law 96-499, provides that, where a beneficiary who no longer requires acute hospital services must remain in the hospital because no long-term care bed is available in the area, the hospital will be reimbursed at a daily rate equal to the adjusted average medicaid skilled nursing facility (SNF) rate in the State for persons needing SNF services, and for purposes of medicaid, at the intermediate care facility (ICF) rate for patients needing ICF services. The reduced level of reimbursement does not apply where a hospital's annual occupancy rate is equal to or greater than 80 percent.

Explanation of law as amended by Public Law 97-35:

The new law eliminates the occupancy test; thus, even those hospitals with an occupancy rate equal to or greater than 80 percent will be subject to a reduction in reimbursement. The new law provides an exception to the reduction in reimbursement where the Secretary of HHS determines that there is no excess of hospital beds in either the individual hospital or in the area which could be converted for use in providing long-term care services. Further, an exception to the general rule is made for public hospitals under certain circumstances.

Effective date:

Services provided on or after September 1, 1981.

Impact:

This provision is estimated to reduce medicare outlays by $70, $80 and $90 million for fiscal years 1982 to 1984.

LIMITS ON REIMBURSEMENT TO HOME HEALTH AGENCIES

Prior law:

By regulation, medicare reimbursement limits for home health agencies are set at the 80th percentile of average per visit costs, calculated by type of service but applied as a single aggregate limit.

Explanation of law as amended by Public Law 97-35:

This provision lowers the limits to the 75th percentile under current methodology or to some other no less stringent limit.

Effective date:

Applies with respect to cost reporting periods ending after September 30, 1981, but only in proportion to that part of the hospital's cost reporting period occurring after that date.

Impact:

This provision will reduce medicare outlays by $12, $23, and $27 million for fiscal years 1982 to 1984.

PROFESSIONAL STANDARDS REVIEW ORGANIZATION MODIFICATIONS

Prior law:

PSRO's are charged with review of services under medicare and medicaid to determine whether such services are (1) medically necessary, (2) provided in accordance with professional standards, and (3) rendered in the appropriate setting. PSRO's are formed by organizations representing practicing physicians in 194 geographic areas. In 1980, there were 47 fully designated and 140 conditionally designated PSRO's.

Explanation of law as amended by Public Law 97-35:

This provision permits the Secretary of HHS to terminate no more than one-third of all PSRO's prior to October 1, 1982. At the option of a State, PSRO's may be used for medicaid review, with 75 percent matching Federal funding.

Effective date:

Effective upon enactment with respect to medicare changes. With respect to medicaid, effective for agreements with PSRO's entered into on or after October 1, 1981.

Impact:

This provision will reduce medicare outlays by $5, $8, and $5 million for fiscal years 1982 to 1984 respectively.

TRANSITIONAL PAYMENTS TO PROMOTE CLOSING AND CONVERSION OF UNDERUTILIZED FACILITIES

Prior law:

Under prior law, there is no provision for payment to promote closing and conversion of facilities.

Explanation of law as amended by Public Law 97-35:

This provides for reimbursement under titles XVIII and XIX of the Social Security Act for capital-related and increased operating costs associated with closing, or conversion to approved use, of underutilized beds or services in hospitals. Prior to January 1, 1984, payments may be made to no more than 50 hospitals; and the provision requires the Secretary to report to Congress by January 1, 1983 on this provision.

A transitional payment may not be paid unless the proposed closing or conversion is consistent with the findings of an appropriate health planning agency and with any applicable State program for reduction in the number of hospital beds in the State.

Payments for closure will not be made to hospitals located in medically underserved areas.

Effective date:

Applies with respect to services furnished by hospitals during any accounting period on or after October 1, 1981.

Impact:

This provision is expected to reduce outlays by $2, $7, and $19 million respectively, for fiscal years 1982 to 1984.

ELIMINATION OF NEED FOR OCCUPATIONAL THERAPY AS A BASIS FOR ENTITLEMENT TO HOME HEALTH SERVICES

Prior law:

In order to qualify for home health benefits, a beneficiary must require skilled nursing care, speech therapy, physical therapy or occupational therapy and be homebound.

Explanation of law as amended by Public Law 97-35:

This provision eliminates occupational therapy as an initial qualifying criterion for home health services; however, where an individual has otherwise qualified for home health benefits by virtue of his need for skilled nursing, speech therapy or physical therapy, his eligibility for home health services may be extended solely on the basis of his continuing need for occupational therapy.

Effective date:

Services furnished on or after the third month beginning after the date of enactment (November 1981).

Impact:

This provision will reduce medicare outlays by $23, $27, and $31 million for fiscal years 1982 to 1984.

ELIMINATION OF COVERAGE OF ALCOHOL DETOXIFICATION FACILITIES

Prior law:

As of April 1, 1981 freestanding alcohol detoxification facilities were recognized as providers under medicare.

Explanation of law as amended by Public Law 97-35:

The provision repealed the measure providing for the reimbursement of services in freestanding detoxification facilities.

Effective date:

Effective for services furnished for stays beginning on or after the tenth day after the date of enactment.

Impact:

There would be no budgetary impact.

PROVISIONS RELATING TO SUPPLEMENTARY MEDICAL INSURANCE (PART B)

INCREASE IN PART B DEDUCTIBLE AND ELIMINATION OF CARRYOVER FROM PRIOR YEARS

Prior law:

Medicare part B beneficiaries are subject to a $60 annual deductible. In addition, the annual part B deductible for any year is reduced by the amount of any covered expenses which the beneficiary incurred in the last 3 months of the preceding calendar year.

Explanation of law as amended by Public Law 97-35:

The part B deductible is increased from $60 to $75, beginning on January 1, 1982, and beneficiaries will no longer be permitted to count expenses incurred in the last quarter of the previous calendar year in determining whether they have met the annual part B deductible for the current year.

Effective date:

January 1, 1982.

Impact:

These provisions are expected to reduce medicare outlays by $175, $265 and $295 million in the fiscal years 1982 to 1984, respectively.

CIVIL MONEY PENALTIES

Prior law:

Under prior law, the Secretary of HHS has no independent authority to impose monetary penalties for fraudulent claims under medicare and medicaid. Currently the Secretary's authority is limited to barring practitioners or providers from participation or referring cases to the Department of Justice for criminal prosecution.

Explanation of law as amended by Public Law 97-35:

This provision authorizes the Secretary to impose a civil money penalty of up to $2,000 for fraudulent claims under medicare or medicaid, to impose an assessment of twice the amount of the fraudulent claim, and to bar from participation persons determined to have filed a fraudulent claim. There would be a right to written notice and an opportunity for a hearing on the record.

Effective date:

Enactment.

Impact:

This provision will reduce outlays by $7 million for each of the fiscal years from 1982 to 1984.

ELIMINATION OF UNLIMITED OPEN ENROLLMENT

Prior law:

Prior to the Budget Reconciliation Act of 1980, Public Law 96-499, beneficiaries who failed to enroll when initially eligible for medicare could thereafter enroll only during an annual enrollment period in January through March of each year. Public Law 96-499 provided, effective April 1, 1981, for continuous open enrollment.

Explanation of law as amended by Public Law 97-35:

This provision repeals continuous open enrollment and reinstitutes the January-March enrollment period.

Effective date:

The month after the month of enactment (September, 1981).

Impact:

This provision will reduce outlays by $9, $10, and $11 million for fiscal years 1982 to 1984 respectively.

LIMITATION ON REASONABLE CHARGE FOR OUTPATIENT SERVICES

Prior law:

Medicare reasonable costs or charges for outpatient services furnished by hospitals, community health centers and clinics are determined without reference to what doctors charge in their offices.

Explanation of law as amended by Public Law 97-35:

This provision requires the Secretary to establish by regulation limitations on costs or charges that will be considered reasonable for outpatient services provided by hospitals, community health centers or clinics and by physicians utilizing these facilities. Limitations are to be reasonably related to the reasonable charges in the same area for similar services provided in physicians' offices.

Effective date:

Enactment.

Impact:

This provision is expected to reduce SMI outlays by $15, $23, and $27 million for fiscal years 1982 to 1984 respectively.

INCENTIVE REIMBURSEMENT RATE FOR RENAL DIALYSIS SERVICES

Prior law:

Public Law 95-292 authorized the Secretary of HHS to develop a reimbursement methodology for renal dialysis services to encourage cost effective delivery of services. No incentive system has yet been implemented.

Explanation of law as amended by Public Law 97-35:

The Secretary of HHS is required to prescribe in regulations a method (or methods) for determining prospectively the amounts of payment to be made for dialysis services furnished by hospitals and by freestanding renal facilities. Separate composite weighted formulae must be calculated for hospital based and for other renal dialysis facilities. Both formulae will be expected to take into account the proportions of patients dialyzing in a facility and those dialyzing at home and the relative costs of providing services in such settings. If, after detailed analysis, the Secretary determines that another method of determining prospectively the amounts of payments to be made for dialysis services would more effectively encourage the efficient delivery of dialysis services and would provide greater incentives for increased use of less costly home dialysis than the dual-composite weighted formula, the Secretary may use such other method (which must differentiate between hospital-based facilities and other renal dialysis facilities).

Effective date:

Applies to services furnished on or after October 1, 1981. It also requires the Secretary to issue implementing regulations before October 1, 1981.

Impact:

The provision would save $105, $130, and $155 million in fiscal years 1982 to 1984 respectively.

MEDICARE SECONDARY IN THE CASE OF RENAL BENEFICIARIES

Prior law:

For individuals eligible for medicare coverage because of kidney failure, medicare benefits are payable without regard to any other health insurance an individual may have.

Explanation of law as amended by Public Law 97-35:

Under the new law, medicare will become the secondary payor for the first 12 months after an individual has been determined to be eligible for end stage renal disease benefits under the medicare program but only where the individual has private health insurance under a group health plan. The Act requires medicare to pay first and recoup from the insurance company such amounts as would normally be payable under such plan in order to minimize inconveniences to the beneficiary. The Act also denies, as a business expense deduction under the tax code, the expenses paid or incurred by an employer for a health plan, if such plan contains a discriminatory provision that reduces or denies payment for renal patients.

Effective date:

October 1, 1981. Tax provision effective for taxable years beginning with 1982.

Impact:

The provision is expected to increase SMI revenues by $95, $165, and $180 million in fiscal years 1982 to 1984 respectively.

APPENDIX D

BRIEF EXPLANATION OF MEDICAID PROGRAM AND INTERACTION WITH AFDC, SSI, AND MEDICARE PROGRAMS

MEDICAID

Medicaid, authorized under title XIX of the Social Security Act, is a Federal-State matching program providing medical assistance for low-income persons who are aged, blind, disabled, or members of families with dependent children. Within Federal guidelines, each State designs and administers its own program. Thus there is substantial variation among the States in terms of persons covered, types, and scope of benefits offered, and amounts of payments for services. Public Law 97-35, the "Omnibus Budget Reconciliation Act of 1981," authorized reductions in Federal payments to the States over the fiscal year 1982-84 period and provided States with increased flexibility in designing and modifying their programs.

Medicaid eligibility is directly linked to eligibility under programs within the jurisdiction of the Committee on Ways and Means, namely AFDC and SSI. Further, some poor aged persons are covered under both the medicare and medicaid programs.

Eligibility

Eligibility for medicaid is linked to actual or potential receipt of cash assistance under the federally assisted aid to families with dependent children (AFDC) program and the Federal supplemental security income (SSI) program for the aged, blind, and disabled; there are two classes of eligibility under medicaid: categorically needy and medically needy.

Categorically Needy

All States cover the categorically needy under their medicaid programs. In general, these are persons receiving assistance under AFDC or SSI. States have the option of limiting medicaid coverage of SSI recipients by requiring them to meet any more restrictive eligibility criterion that was in effect on January 1, 1972 (before implementation of SSI). States choosing the more restrictive criteria must allow applicants to deduct medical expenses from income in determining eligibility. Fifteen States currently employ more restrictive criteria.

These States are:

Connecticut
Hawaii
Illinois
Indiana
Minnesota
Missouri
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Ohio
Oklahoma
Utah
Virginia

States may also cover additional persons as categorically needy; these include persons receiving State supplement SSI payments (SSP) or persons who would be eligible for cash assistance except that they are residents in medical institutions (such as skilled nursing facilities).

States must extend medicaid eligibility to aged, blind, and disabled persons who were eligible for medicaid in December 1973 as long as they meet the 1973 criteria; persons receiving mandatory State supplementary payments; persons who would be eligible for cash aid except for a State barrier disallowed by medicaid law; and persons actually receiving SSI and/or SSP payments who lose their eligibility for SSI or SSP solely because of a cost-of-living social security increase provided they would otherwise still be eligible for such aid. Medicaid coverage must also be extended for 4 additional months to certain families whose AFDC cash assistance has been terminated provided they had received AFDC for at least 3 of the preceding 6 months; this extension only applies to families whose AFDC coverage has been terminated due to increased income from or hours of employment.

States may extend medicaid to all financially eligible children under age 21, to unemployed fathers and their families, or to the children of unemployed fathers.

Public Law 97–35 made several changes in AFDC eligibility determinations under the medicaid program. Changes in treatment of earnings and other income and resources is forcing many persons not only off the AFDC rolls but also off of automatic medicaid coverage. Some of these individuals may be able to regain coverage if their State offers medically needy protection; however, the range of available benefits may be less.

Public Law 97–35 amended prior law by limiting AFDC eligibility to children under 18, or at State option, under 19, but only if the child is a full-time student in a secondary or technical school and may reasonably be expected to complete the program before he reaches 19. The law provides that State medicaid plans may limit coverage to any person under age 19 who meets the definition of dependent child under AFDC. At State option, States may extend medicaid to all persons between the ages of 18 and 20 or any reasonable classification of such persons. Prior law required that medicaid include any person under age 21 who would be eligible for AFDC if he met the AFDC age or school attendance requirements.

Public Law 97–35 further prohibits States from making AFDC cash payments to a pregnant woman on the basis of her unborn child until the 6 month of pregnancy. States are, however, permitted to extend medicaid eligibility to these women from the time pregnancy has been medically verified.

MEDICALLY NEEDY

States may also cover the medically needy under their medicaid programs. These are persons whose income is slightly in excess of the standards for cash assistance, provided that: (1) they are aged, blind, disabled, or members of families with dependent children, and (2) their income (after deducting incurred medical expenses) falls below the State standard. As of January 1, 1982, 34 States and jurisdictions provided medically needy coverage. These States are:

Arkansas
California
Connecticut
Washington, D.C.
Guam
Hawaii
Illinois
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota

Montana
Nebraska
New Hampshire
New York
North Carolina
North Dakota
Northern Mariana Islands
Oklahoma
Pennsylvania
Puerto Rico
Rhode Island
Tennessee
Utah
Vermont
Virgin Islands
Virginia
Washington
West Virginia
Wisconsin

Prior to enactment of Public Law 97-35, States having medically needy programs were required to offer comparable coverage to all four groups (that is, aged, blind, disabled, and members of families with children). Public Law 97-35 provides that, if a State offers medically needy coverage to any group, it must at a minimum provide ambulatory services to children and prenatal and delivery services for pregnant women.

MEDICARE-MEDICAID RELATIONSHIP

About 12 percent of aged and disabled medicare enrollees are also covered by State medicaid programs. While coverage under medicare part A (hospital insurance) is automatic for most aged and certain disabled having insured status under the social security system, coverage under medicare part B (physician services) requires the payment of a monthly premium. Most States make this payment for their medicaid eligibles under a buy-in agreement. While States may buy-in to medicare for both their cash-assistance and medically needy populations who are eligible for medicare, Federal matching for premium payments is only available for the cash assistance group. If a State does not buy-in to part B coverage, it cannot receive Federal matching payments for services that would have been covered under medicare if there had been a buy-in arrangement. Four States and two jurisdictions do not currently have a buy-in arrangement. These are: Alaska, Louisiana, Oregon, Wyoming, Puerto Rico, and Northern Mariana Islands. Alaska's buy-in agreement becomes effective October 1, 1982.

Medicaid basically supplements medicare for persons who are dually eligible. Medicare makes the primary payment while State medicaid expenditures are limited to payments for deductibles, coinsurance, and services not covered by Medicare.

SERVICES

States are required to offer the following services to categorically needy recipients under their medicaid programs: inpatient and outpatient hospital services; laboratory and X-ray services; skilled nursing facility (SNF) services for those over age 21; home health services for those entitled to SNF care; early and periodic screening, diagnosis, and treatment (EPSDT) for those under age 21; family planning services and supplies; and physicians' services. They may also provide additional medical services such as drugs, intermediate care facility (ICF) services, eyeglasses, inpatient psychiatric care for individuals under age 21 or over 65. States are permitted to establish limitations on the amount of care provided under a service category (such as limiting the number of days of covered hospital care or number of physicians' visits).

Federal law, as amended by Public Law 97-35 establishes the following requirements for coverage of the medically needy: (1) if a

State provides medically needy coverage to any group it must provide ambulatory services to children and prenatal and delivery services for pregnant women; (2) if a State provides institutional services for any medically needy group it must also provide ambulatory services for this population group; and (3) if the State provides medically needy coverage for persons in intermediate care facilities for the mentally retarded (ICF/MRs), it must offer to all groups covered in its medically needy program the same mix of institutional and noninstitutional services as required under prior law (that is, either all of the mandatory services or alternatively the care and services listed in 7 of the 17 paragraphs in the law defining covered services).

FINANCING

The Federal Government helps States share in the cost of medicaid services by means of a variable matching formula which is periodically adjusted. The matching rate, which is inversely related to a State's per capita income, can range from 50 percent to 83 percent though currently the highest rate is 77.36 percent. Federal matching for the territories is set at 50 percent with a maximum dollar limit placed on the amount each territory can receive. The Federal share of administrative costs is 50 percent for all States except for certain items where the authorized rate is higher.

Public Law 97-35 provides that the amount of Federal matching payments to which a State is otherwise entitled is to be reduced by 3 percent in fiscal year 1982, 4 percent in fiscal year 1983, and 4.5 percent in fiscal year 1984. A State can lower the amount of its reduction by 1 percentage point for each of the following: (1) operating a qualified hospital cost review program; (2) sustaining an unemployment rate exceeding 150 percent of the national average; and (3) demonstrating recoveries from fraud and abuse activities, and with respect to fiscal year 1982, third-party recoveries, equal to 1 percent of Federal payments.

A State is entitled to a dollar-for-dollar offset in its reductions if total Federal medicaid expenditures in a year fall below a specified target amount. In no case can the amount recovered exceed the total amount of reductions. In fiscal year 1982, the target amount is equal to 109 percent of the State's estimates for fiscal year 1981. In fiscal year 1983 and fiscal year 1984, the target amounts are equal to the fiscal year 1982 target increased or decreased by the same percentage as the increase or decrease in the index of the medical care component of the Consumer Price Index over the same period. The reduction and offset provisions do not apply to the territories or to Arizona which does not currently have a medicaid program.

REIMBURSEMENT POLICY

States have considerable leeway in setting reimbursement levels for services. They are required to reimburse hospitals, skilled nursing facilities, and intermediate care facilities at rates that are reasonable and adequate to meet the cost which must be incurred by efficiently and economically operated facilities in order to meet applicable laws and quality and safety standards. In developing their payment rates for hospitals, States are required to take into account the situation of facilities which serve a disproportionate number of low-income patients. Further, hospital payment rates must be sufficient to assure that medicaid patients have reasonable access to services of adequate quality.

Practitioners and providers are required to accept payments under the program as payment in full for covered services except where nominal cost-sharing charges may be required. Such cost-sharing is permitted on all services rendered to the medically needy but only on optional services rendered to the categorically needy. Further, patients residing in long-term care facilities may be required to turn over most of their income to help pay for the cost of their care.

ADMINISTRATION

Medicaid is a State-administered program. At the Federal level, the Health Care Financing Administration (HCFA) of the Department of Health and Human Services is responsible for overseeing State operations.

Federal law requires the single State agency be charged with administration of the medicaid program. Generally, that agency is either the State welfare agency, the State health agency, or the umbrella human resources agency. The single State agency may contract with other State entities to conduct some program functions. Further, States may process claims for reimbursement themselves or contract with fiscal agents or health insuring agencies to process these claims.

PROGRAM DATA

Federal medicaid outlays are estimated (in the absence of legislative changes) at $19.9 billion in fiscal year 1983, a 10-percent increase over the $18.1 billion estimated for fiscal year 1982. The fiscal year 1983 amount represents a 333-percent increase over the $4.6 billion recorded 10 years earlier in fiscal year 1973. The Reagan fiscal year 1983 budget would lower Federal fiscal year 1983 outlays to $17.8 billion.

State medicaid costs are estimated at $17.0 billion in fiscal year 1983 under current law, a 10-percent increase over the $15.5 billion estimated for fiscal year 1982 and a 315-percent increase over the $4.1 billion recorded in fiscal year 1973.

The primary factor contributing to program increases has been inflation, particularly inflation in medical care prices. Changing recipient caseloads, and utilization as well as in the intensity of services have also contributed to past increases in program costs. However, this trend is expected to be moderated somewhat as States are forced to make cutbacks in their programs both in response to the Federal reductions authorized under Public Law 97-35 and to their own fiscal concerns.

TABLE 1.—FEDERAL AND STATE EXPENDITURES UNDER CURRENT LAW AND NUMBER OF RECIPIENTS FOR FISCAL YEARS 1981, 1982, AND 1983

[In millions of dollars]

	Fiscal year 1981 (actual)	Fiscal year 1982 (estimate)	Fiscal year 1983 (estimate)
Payments for medical services:			
Federal	16,153	17,327	18,853
State	12,675	14,457	15,736
Administrative cost:			
Federal	920	932	1,064
State	628	640	731
Impact of Public Law 97–35 on States		394	571
Total:			
Federal	17,073	18,259	19,917
State	13,303	15,491	17,038
Total program	30,376	33,750	36,955

[In thousands]

	Fiscal year 1981 (actual)	Fiscal year 1982 (estimate)	Fiscal year 1983 (estimate)
Recipients:			
Age 65 and over	3,437	3,528	3,588
Blind	95	95	95
Disabled	2,803	2,905	2,972
Adults in AFDC families	4,932	5,031	4,850
Children under 21	11,202	11,298	10,637
Total, all recipients	22,469	22,857	22,142

TABLE 2.—MEDICAID PAYMENTS FOR CATEGORICALLY NEEDY AND MEDICALLY NEEDY, FISCAL YEAR 1980

	Dollars (in millions)	Percent
Categorically needy	16,005.8	68.7
Receiving cash payments	(12,215.0)	(52.5)
Not receiving cash payments	(3,790.9)	(16.3)
Medically needy	7,276.9	31.3
Total	23,282.8	100.0

Note.—Totals may not add due to rounding.

TABLE 3.—MEDICAID PAYMENTS BY BASIS OF ELIGIBILITY, PRELIMINARY ESTIMATES, FISCAL YEAR 1980

	Dollars (in millions)	Percent	Average payment per recipient
Aged	8,729.9	37.5	$2,553
Blind	131.4	0.6	1,423
Disabled	7,004.0	30.1	2,569
Dependent children under 21	3,147.9	13.5	339
Adults in families with dependent children	3,357.5	14.4	702
Other	912.1	3.9	605
Total	23,282.8	100.0	1,077

TABLE 4.—MEDICAID PAYMENTS BY SERVICE CATEGORY, FISCAL YEAR 1980

	Dollars (in millions)	Percent
Inpatient hospital	7,088.6	30.4
General	(6,261.0)	(26.9)
Mental [1]	(827.6)	(3.6)
Skilled nursing facilities	3,706.5	15.9
Intermediate care facilities [1]	6,198.6	26.6
Facilities for mentally retarded [1]	(1,975.4)	(8.5)
Other [1]	(4,223.3)	(18.1)
Physician	1,869.4	8.0
Dental [1]	461.9	2.0
Other practitioner [1]	194.8	0.8
Outpatient hospital	1,101.0	4.7
Clinic [1]	320.6	1.4
Lab and X-ray	121.2	0.5
Home health	331.7	1.4
Prescribed drugs [1]	1,320.9	5.7
Family planning	81.8	0.4
Other [2]	440.7	1.9
Total	23,282.8	100.0

[1] Optional services.

[2] Predominantly optional services.

Note.—Totals may not add due to rounding.

APPENDIX E

THE FOOD STAMP PROGRAM

FOOD STAMP PROGRAM

The food stamp program is designed to increase the food purchasing power of low-income households to a point where they can buy a nutritionally adequate low-cost diet. The theory behind the program is that a participating household is expected to be able to devote 30 percent of its countable[1] cash income to food, with food stamp benefits making up the difference between that amount and the sum determined to be sufficient to buy an adequate low-cost diet; i.e., the cost of the Department of Agriculture's "Thrifty Food Plan." Thus, an eligible household with no countable cash income receives the maximum monthly food stamp allotment for its size (benefits also vary by household size), while one with some countable cash income receives a reduced allotment—reduced from the maximum at the rate of 30 cents for each dollar of countable cash income. Food stamp benefits are available to nearly all households meeting the *income and liquid assets eligibility tests,* as long as certain household members fulfill work registration requirements. Unlike other welfare programs, the food stamp program has few *categorical* restrictions on eligibility.

ADMINISTRATION AND FUNDING

The food stamp program operates in all 50 States, the District of Columbia, the Virgin Islands and Guam.[2] Until July 1982, it will also operate in Puerto Rico; however, in July 1982, the program will end and be replaced by a food aid program designed by the Commonwealth and federally funded at $825 million annually. The Federal government, under the authority of the Food Stamp Act of 1977, establishes the rules that govern the program and, with certain minimal variations for Alaska, Hawaii and the territories, they are nationally uniform. States may opt to offer the program or not; but, if a State chooses to offer it, it must offer the program throughout the State.

At the Federal level, the program is administered by the U.S. Department of Agriculture's Food and Nutrition Service, which gives direction, through Federal regulations, to States and localities in their administrative tasks, is responsible for the printing and distribution of stamps to the States, and oversees participation by retail food stores and other food outlets. Other Federal involvement includes the Federal Reserve System, through which food stamps deposited in banks by food outlets are redeemed and converted to cash, and the Labor Department's Employment Service, which oversees State employment offices administering the Food Stamp program's work registration requirements. At the State and local levels, it is administered, along with the AFDC program, by welfare departments which are responsible for determining eligibility and issuing benefits.[3]

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[1] Not all of a household's income is actually counted when determining its food stamp benefits. In effect, this means that the program assumes households can spend about 20-25 percent of their gross cash income on food.

[2] The Commonwealth of the Northern Mariana Islands is authorized to operate a variant of the Food Stamp program but has not yet designed and implemented such a program.

The Food Stamp Act provides for 100 percent Federal funding of food stamp benefits. Federal funds also pay Federal administrative costs and from 50 to 65 percent of most State and local administrative costs, depending on the rate of error in a State's administration of the program.[4] State and local costs associated with computerization and fraud control activities are eligible for 75 percent Federal funding. Administrative costs not borne by the Federal Government are shared by State and localities according to State law.

TABLE 1.—FOOD STAMP EXPENDITURES

[In millions]

Fiscal year	Benefit expenditures (Federal)	Administrative costs		Total
		Federal	State/local	
1978	$5,200	$399	$286	$5,885
1979	6,460	463	335	7,258
1980	8,703	500	380	9,583
1981 (estimated)	10,677	626	463	11,766

ELIGIBILITY

The Food Stamp program imposes three major tests for eligibility: income limits, liquid assets limitations and work registration requirements. Except in certain pilot project areas, all households, including those receiving cash welfare, must pass the food stamp income and assets screens, although certain cash welfare recipients are exempt from the work registration requirements. All individuals purchasing and preparing food in common constitute a food stamp "household;" the income and resources of all household members are aggregated together in determining eligibility and benefits.

Households without an elderly or disabled member[5] must have *gross* monthly incomes[6] below 130 percent of the Federal poverty levels in order to qualify. These income limits are adjusted annually, each July, to reflect inflation as measured by the Consumer Price Index. Households with elderly or disabled members must have *countable* monthly incomes below the Federal poverty levels, as adjusted each July to reflect inflation, in order to qualify. Monthly income limits in the 48 contiguous states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam[7] are as follows, through June 1982:

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[3] With the Department of Agriculture's approval, Indian tribes may administer the food stamp program on reservations. In certain cases, Social Security district offices may provide intake services for applicants who are also SSI recipients.

[4] A State qualifies for a matching rate above 50 percent (a) if it reduces its rate of error below specified levels, or (b) if it makes above-average progress in reducing its error rate. States are liable for erroneous payments above a specified level and their rate of improper denials must not exceed a Federal standard in order to receive additional Federal cost-sharing.

[5] "Elderly" is defined as age 60 or older. "Disabled" is defined as being in receipt of disbility payments under the social security of SSI programs.

[6] Until fiscal year 1983, states are allowed to use either *anticipated* monthly income or the *prior month's* income. Beginning in fiscal 1983, states will have to use the prior month's income.

TABLE 2.—GROSS AND COUNTABLE INCOME ELIGIBILITY LIMITS

Household size	Gross income limits (per month)	Countable income limits (per month)
1 person	$467	$360
2 persons	617	475
3 persons	766	590
4 persons	916	705
5 persons	1,065	820
6 persons	1,215	935
Each additional member	+150	+115

For households with elderly or disabled members, the *countable* income used to test eligibility *excludes:* (1) an inflation indexed standard deduction now standing at $85 per month,[8] (2) 18 percent of any earned income; (3) any work-related expenses for care of a dependent, up to an inflation indexed ceiling now standing at $115 per month,[9] (4) out-of-pocket medical expenses of elderly or disabled household members, to the extent they exceed $35 per month; and (5) shelter expenses, to the extent they exceed 50 percent of the countable income remaining after all other potential deductions and excluded expenses have been subtracted out. As a result, households with elderly or disabled members can be eligible with *gross* incomes ranging from roughly 120 to 200 percent of poverty, even though their *countable* incomes must be below poverty.

Eligible households must also have liquid assets not exceeding $1,500, or $3,000 in the case of households of two or more with an elderly member. This liquid assets limit excludes the value of a residence, a portion of the value of motor vehicles, business assets, household belongings and certain other resources.

In order to retain household eligibility, non-working, able-bodied adult household members must register for, seek, and accept suitable employment, if offered. Exceptions are provided for those caring for dependents (disabled or under age 6), subject to another program's work requirements, working at least 30 hours per week or earning the minimum-wage equivalent, post-secondary students who are otherwise eligible and residents of drug addiction or alcoholic treatment programs. In addition, if a locality opts to operate a "workfare" program, work registrants may also be required to "work-off" their household's food stamp benefit.

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[7] Limits are higher in Alaska and Hawaii, by 25 and 15 percent respectively.

[8] Future inflation indexing of the standard deduction will occur in July 1983, October 1984, and each October thereafter. Standard deduction amounts vary for Alaska, Hawaii, Puerto Rico, the Virgin Islands and Guam; see Table 3.

[9] Future inflation indexing of this ceiling will occur in July 1983, October 1984, and each October thereafter. The ceiling varies for Alaska, Hawaii, Puerto Rico, the Virgin Islands and Guam; see Table 3.

Categorical eligibility restrictions include: (1) a ban on eligibility for households in which the primary wage-earner has voluntarily quit a job without good cause, for 60 days from the date of the voluntary quit; (2) a ban on eligibility for households containing striking members, unless eligible prior to the strike; (3) a ban on eligibility for non-working post-secondary students without families; (4) a ban on eligibility for illegally or temporarily resident aliens and rules limiting eligibility for legally present aliens with sponsors; (5) a ban on eligibility for persons living in institutional settings, except for those in special housing for the elderly or disabled, persons in small group homes for the disabled, persons living in drug addiction or alcoholic treatment programs, and persons in temporary shelters for battered women and children; (6) a ban on eligibility for Supplemental Security Income (SSI) recipients in California and Wisconsin;[10] and (7) a requirement that parent-child households apply together, even if they purchase and prepare food separately, unless a parent is elderly or disabled.

Under these eligibility rules, it is estimated that over 30 million persons are eligible for food stamps, nationwide, at any point during the year.

BENEFITS

Food stamp benefits are a function of household size, countable monthly income, the cost of the Department of Agriculture's "Thrifty Food Plan," and, in some cases, geographical location. The Food Stamp Act specifies that a household's *maximum* monthly food stamp allotment shall be the cost of a nutritionally adequate diet, as determined by the Department of Agriculture and adjusted periodically for changes in food prices.[11] A participating household's *actual* monthly allotment is determined by subtracting, from the maximum allotment for that household's size and location, an amount equal to 30 percent of its *countable* income—on the assumption that it can afford to spend that much of its own income on food purchases.

In determining benefits for households with elderly or disabled members, the same countable income calculated when determining eligibility is used. For other households, countable income *excludes*: (1) an inflation indexed standard deduction now standing at $85 per month and varied geographically (see Table 3);[12] (2) 18 percent of any earned income; and (3) any work-related expenses for care of a dependent, or shelter expenses exceeding 50 percent of countable income remaining after all other potential deductions and excluded expenses have been subtracted out, up to an inflation indexed ceiling now standing at $115 per month and varied geographically (see Table 3).[13]

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[10] Cash SSI payments have been increased in these States to include an estimated value for food stamp benefits.

[11] Future inflation indexing of maximum benefit levels will occur in October 1982, and each October thereafter.

[12] Future inflation indexing of the standard deduction will occur in July 1983, October 1984, and each October thereafter.

TABLE 3.—FOOD STAMP DEDUCTION LEVELS

	48 States and D.C.	Alaska	Hawaii	Puerto Rico	Virgin Islands	Guam
Monthly standard deduction	$85	$145	$120	$50	$75	$170
Monthly ceiling on dependent-care/shelter expense deductions	115	200	165	40	85	140

Maximum monthly food stamp allotments (the cost of the Department of Agriculture's "Thrifty Food Plan"), from which 30 percent of a household's monthly countable income (after subtraction of the various potential deductions) is taken to determine a household's actual benefit, are as follows, through September 1982:

TABLE 4.—MAXIMUM MONTHLY FOOD STAMP ALLOTMENTS

Household size	48 States and D.C.	Alaska	Hawaii	Puerto Rico	Virgin Islands	Guam
1 person	$70	$108	$95	$66	$88	$101
2 persons	128	197	175	122	161	185
3 persons	183	283	250	174	230	256
4 persons	233	359	318	221	292	337
5 persons	277	426	378	262	347	400
6 persons	332	512	453	315	416	480
7 persons	367	565	501	348	460	531
8 persons	419	646	572	398	526	607
Each additional person	53	81	72	50	66	76

Households with *no* countable income receive the maximum monthly allotment for their household size, and households with some countable income receive the maximum allotment reduced by 30 percent of their countable, not gross, income.

Minimum monthly allotments vary by household size, type of income, and the extent to which deductions from gross income are claimed. In many cases, 130 percent of the Federal poverty level is exceeded before the allotment value is reduced to zero. Table 5 can be interpreted as the amount of food stamps which a family receives with an income $1.00 below the income limitations.

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[13] This ceiling applies to the *total* amount claimed for the shelter *and* dependent-care expense deductions. Future inflation indexing of the ceiling will occur in July 1983, October 1984 and each October thereafter.

TABLE 5.—MINIMUM MONTHLY FOOD STAMP ALLOTMENTS [1]

Household size	Earned income with—		Unearned income with—	
	Maximum deductions	Minimum deductions	Maximum deductions	Minimum deductions
1 person	$15	$10	$10	$10
2 persons	36	10	10	10
3 persons	55	20	13	2
4 persons	68	33	18	2
5 persons	75	41	17	2
6 persons	93	59	27	2

[1] For households without elderly or disabled members in the 48 contiguous States and the District of Columbia. Minimums vary for other households.

USE OF FOOD STAMPS

Typically, participating households use their allotment in grocery stores that have been approved to accept food stamps. To be approved, a store must demonstrate that 50 percent of its food sales are staple foods. In addition, wholesalers may be approved to accept food stamps from retailers in certain instances, and meal service programs of various types may be approved to accept food stamps for meals. Once they have accepted food stamps, retailers, wholesalers, and approved meal service programs deposit them in banks, where they convert immediately to cash and are eventually redeemed, through the Federal Reserve System, by the U.S. Treasury.

Food stamps are issued in booklets and in several denominations, the lowest of which is $1. When change is necessary, all change of $1 or more must be in food stamps; change of 99 cents or less is in cash.

INTERACTION WITH CASH ASSISTANCE PROGRAMS

The food stamp program is intertwined with cash assistance programs in two ways: it is administratively linked to cash assistance at the State and local level and its recipient population is, by and large, made up of cash aid recipients.

At the State and local level, the food stamp program is, for most recipients, administered by the same welfare offices and personnel that administer, under different rules, cash assistance such as AFDC and General Assistance. For most SSI recipients, the Social Security Administration's offices provide intake services for the Food Stamp program. As a result, there is a continuing tension between the different sets of rules used by welfare and social security offices to determine eligibility and benefits.

Less than 20 percent of food stamp households rely solely on nongovernmental sources for their income, although nearly 40 percent have some income from these sources: earnings, private retirement income, alimony, and dividends and interest. The AFDC program contributes to the income of 34 percent of food stamp households, and for almost three-fourths of these households AFDC is their only source of income. Nearly 26 percent of food stamp households receive social security disability or retirement income, and about one-third of them rely entirely on that income. SSI payments are made to 20 percent of food stamp households, one-fourth of whom have no other income. State and local general assistance is received by 6 percent of food stamp households. And, veterans' benefits are made to about 3 percent of food stamp households. Thus, for most persons participating in the food stamp program, food aid represents a second or third form of government payment.

TABLE 6.—ESTIMATED FEDERAL FOOD STAMP SPENDING: FISCAL YEAR 1981 [1]

[By State, in millions]

State	Benefits	Federal share of State administrative costs
Alabama	$293	$14
Alaska	30	2
Arizona	124	8
Arkansas	138	7
California	600	48
Colorado	88	3
Connecticut	71	3
Delaware	27	1
District of Columbia	47	2
Florida	503	16
Georgia	306	14
Guam	18	([2])
Hawaii	69	2
Idaho	35	1
Illinois	506	15
Indiana	204	6
Iowa	75	4
Kansas	52	2
Kentucky	268	13
Louisiana	270	16
Maine	69	2
Maryland	171	10
Massachusetts	191	8
Michigan	396	17
Minnesota	84	4
Mississippi	235	7

TABLE 6.—ESTIMATED FEDERAL FOOD STAMP SPENDING: FISCAL YEAR 1981 [1]—Continued

[By State, in millions]

State	Benefits	Federal share of State administrative costs
Missouri	183	8
Montana	22	1
Nebraska	31	2
Nevada	21	2
New Hampshire	27	2
New Jersey	279	15
New Mexico	90	5
New York	878	38
North Carolina	272	12
North Dakota	12	1
Ohio	509	16
Oklahoma	82	7
Oregon	132	7
Pennsylvania	492	21
Puerto Rico	879	27
Rhode Island	41	1
South Carolina	212	10
South Dakota	21	2
Tennessee	339	14
Texas	600	33
Utah	30	2
Vermont	22	1
Virginia	200	7
Virgin Islands	21	1
Washington	135	5
West Virginia	122	4
Wisconsin	99	3
Wyoming	7	1
Total	10,633	470

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[1] Excluding approximately $160 million in Federal administrative expenses not distributed by State and approximately $40 million in benefit costs not available by State.

[2] Less than $500,000.

Source: U.S. Department of Agriculture, Food and Nutrition Service.

APPENDIX F

REIMBURSEMENT FOR HOSPITALS AND PHYSICANS UNDER MEDICARE

REIMBURSEMENT TO HOSPITALS[1]

STATUTORY REQUIREMENTS

Medicare benefits are paid on the basis of "reasonable cost" in the case of hospitals. "Reasonable costs" are determined by medicare based on actual costs incurred by the individual provider in furnishing covered services to beneficiaries. All necessary and proper costs which maintain the operation of patient care facilities and activities are included in the computation of reimbursement. Hospitals submit claims to their intermediary on behalf of beneficiaries and agree to accept the program's reasonable cost determination as payment in full for covered services. The beneficiary is responsible for paying for the part A deductible and coinsurance amounts and for noncovered services.

The Secretary of the Department of Health and Human Services (HHS)[2] is required to issue regulations establishing the method or methods to be used, and the items to be included in determining the reasonable cost of covered care. In developing these regulations, the Secretary is directed to consider the principles generally applied by national organizations in determining the amounts of payments. The regulations may provide for the determination of costs on a per diem, per unit, per capita, or other basis; may provide for using different methods in different circumstances; may provide for the estimates of certain costs; and may provide for the use of charges or percentage of charges where this method reasonably reflects the costs. Further, the Secretary may provide for the establishment of limits on direct or indirect overall incurred costs or incurred costs of specific items or services or groups of items or services to be recognized as reasonable. These limits are to be based on estimates of the costs necessary in the efficient delivery of health services.

The law requires the Secretary to apportion the costs of services provided by hospitals between beneficiaries and other patients to assure that neither group bears the costs of the other. The Secretary is also required to provide for the making of suitable retroactive corrective adjustments in the amount of payment to institutions where aggregate reimbursement has proven to be either inadequate or excessive.

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[1] This section borrows heavily from two Congressional Research Service prints entitled "How Medicare Pays Doctors" and "Hospital Reimbursement Under Medicare."

[2] All references to the "Secretary" in this section refer to the Secretary of the Department of Health and Human Services (HHS); all references to the "Department" refer to the Department of HHS.

To carry out the congressional mandate, the Department has developed regulations which:

—Identify allowable costs, i.e., those items or elements of a provider's actual costs which are reimbursable under the program; these costs must be reasonable and relate to patient care.

—Provide a method for cost apportionment, i.e., determining what portion of total allowable costs of a hospital can be attributed to Medicare beneficiaries and therefore be reimbursed under the program.

—Provide methods of cost finding, i.e., determining what the total cost is of providing services.

—Provide methods for making payments to providers.

More detailed information on hospital reimbursement is contained in the Provider Reimbursement Manual prepared by the Health Care Financing Administration (HCFA), Department of Health and Human Services.

ALLOWABLE COSTS—GENERAL PRINCIPLES

Allowable costs are items or elements of a provider's actual costs which are reimbursable under the program. Such costs must be reasonable and relate to patient care. Reasonable costs include all necessary and proper expenses incurred in rendering services such as administrative costs, maintenance costs, employee salaries, and the cost of employee health and pension plans. It includes both direct and indirect costs and normal standby costs. Excluded from allowable costs are items specifically not reimbursable under the program, and amounts attributable to the furnishing of luxury items or services (i.e., items or services substantially in excess of or more expensive than those considered necessary for the provision of needed health services). Also excluded are items not specifically related to patient care such as telephones, televisions, and radios furnished for the personal comfort of patients.

Allowable costs cannot exceed what a prudent and cost-conscious buyer would pay for a given item or service. This is known as the "prudent buyer" principle. Intermediaries are expected to review provider purchasing patterns to assure that excessive costs are not being paid and that providers take advantage of discounts available from bulk purchasing or joint purchasing arrangements. Costs in excess of those normally incurred in purchasing a supply or service are not allowable in the absence of a clear justification for the difference.

Certain hospital services may be furnished "under arrangements." This refers to situations where the provider has contracted with an outside organization to perform services for the provider. The amount charged by the supplying organization and paid by the hospital for services rendered becomes a cost to the hospital. This amount is included in the latter's allowable costs to the extent such charges are reasonable. Generally, the reasonableness of supplier charges is determined by whether they are in line with the going rate charged to others within the community. Program payments for services provided under arrangements can never be made directly to the supplier.

Detailed rules have been established concerning those specific elements of a provider's costs which are "allowable" for medicare purposes. The following sections outline the major principles.

Depreciation

Depreciation is that amount which represents the portion of an asset's cost which is allocable to a period of operation. Depreciation accounting is a system of accounting which prorates the cost or other basic value of a tangible capital asset less salvage value (if any) over its estimated useful life.

An appropriate allowance for depreciation on buildings and equipment used to render care covered by medicare is an allowable cost. Depreciation is based on the "historical," i.e., original, cost of the asset except that special rules apply in the case of assets acquired prior to 1966. The program recognizes depreciation on assets in use at the time the provider enters the program even though such assets have been fully or partially depreciated on the provider's books. A depreciation allowance is also permitted on assets that are used in a normal standby or emergency capacity or for assets financed by public funds.

In general, the useful life of an asset is based on the useful-life guidelines published by the American Hospital Association (Chart of Accounts) or the Internal Revenue Service. Generally, options for straight-line depreciation (which provides a uniform allowance each year) and accelerated depreciation (which permits a larger writeoff in the initial years) which are allowed under the income tax laws are permitted for assets acquired before August 1970; only straight line and (within limits) declining balance depreciation (which is one form of accelerated depreciation) are recognized for assets acquired at a later date. Reevaluation of assets is permitted where a change of ownership has occurred but not in cases involving acquisition of stock. Special rules apply with respect to gains or losses resulting from disposal of assets.

Medicare does not require the funding of depreciation; that is, the provider is not required to set aside the amount allowed for depreciation for replacement of the asset. However, as an incentive for funding, investment income on funded depreciation is not treated as a reduction in allowable interest expense.

Public Law 97-34, the Economic Recovery Act of 1981, made a number of changes in the calculation of depreciation for tax purposes. However, the law excludes medicare (and other programs administered by HHS) from the new depreciation rules for purposes of determining cost reimbursement under the program.

Interest

Necessary and proper interest on current and capital indebtedness is included as an "allowable cost" under medicare. Generally, current indebtedness represents short-term loans for working capital for normal operating expenses. Capital indebtedness represents long-term loans in which the funds are used for acquiring facilities and equipment or making capital improvements.

To be recognized as an allowable cost, interest must be incurred on funds needed to satisfy the financial needs of the hospital and must be for a purpose reasonably related to patient care. The rate of interest may not be in excess of what a prudent borrower would have had to incur in the money market in an arms-length transaction. The interest must be paid to a lender not related through control, ownership, or personal relationship to the borrowing organization.

Generally, allowable interest expenses are reduced by investment income except where such income is from: (1) gifts and grants, whether restricted or unrestricted, and which are held separately and not commingled with other funds; (2) funded depreciation; or (3) a provider's qualified pension fund.

Bad debts, charity, and courtesy allowances

Bad debts, charity, and courtesy allowances are not "allowable costs" for medicare purposes. However, that portion of bad debts attributable to a medicare beneficiary's failure to pay deductible and coinsurance amounts is reimbursable. To be allowable, such debt must be related to covered services, and the provider must establish that reasonable collection efforts were made, that the debt could not actually be collected when claimed as worthless, and that there was no likelihood of recovery at any time in the future.

Cost of educational activities

A provider's allowable costs may include the net cost of approved educational activities. Such approved educational activities are formally organized or planned programs of study (as distinguished from on-the-job or similar work-learning programs) engaged in by the provider for the staff members to enhance the quality of patient care. Where required, the acitivity must be licensed by State law. If no State licensing is required, approval must be obtained from the recognized national professional organization for the particular activity.

The net cost recognized by the program is determined by deducting from the provider's total costs of these activities, the revenues it receives from tuition and from restricted grants and donations.

Research costs

Research costs over and above those related to usual patient care are excluded from allowable costs. If research is conducted in conjunction with or as a part of the care of patients, the costs of usual patient care are reimbursable to the extent that they are not met by research funds. The costs of extraordinary patient care which are tied to research objectives are not reimbursable. Extraordinary care is defined as that rendered to research patients which is not medically necessary, reasonable, or ordinarily furnished to patients by providers.

Grants, gifts, and income from endowments

In general, unrestricted grants, gifts, and income from endowments are not deducted from operating costs in computing "allowable costs" while those designated by a donor for paying specific operating costs must be deducted from the particular operating cost or group of costs to which they apply. Similar rules apply with respect to the allowability of Government grants or similar payments. Further, the Secretary has the authority not to deduct from operating costs certain types of donor-designated grants and gifts (including Government grants) which he determines should be encouraged in the interests of needed health care.

Value of services of nonpaid workers

Under certain circumstances, the value of services performed by nonpaid workers (generally members of religious orders) is allowable as a reimbursable cost. The amount recognized per individual cannot exceed the amount allowed, excluding overtime, for paid employees who perform similar services. To be recognized, the services performed by nonpaid workers must be directly related to patient care or administrative positions essential to providing that care. Services such as distributing books or magazines to patients, or work in a provider's cafeteria or gift shop, are not allowable costs.

Return on equity capital of proprietary providers

A reasonable return on equity capital invested and used in providing patient care is an allowable cost for proprietary providers. Equity capital is the net worth of a provider excluding those assets and liabilities not related to patient care. Specifically equity capital includes: (1) a provider's investment in plant, property, and equipment (net of depreciation) related to patient care, plus funds deposited by a provider who leases such items where such deposit is required by the lease; and (2) net working capital maintained for necessary and proper operation of patient care activities.

The base amount of equity capital to be used in computing the allowable return is the average investment of the owners during a reporting period. The rate of return is equal to one and one-half times the rate of interest paid by the Federal Treasury on the assets of the Federal Hospital Insurance Trust Fund.

Drugs

Allowable costs for certain multiple-source drugs are subject to "maximum allowable cost" (MAC) limitations. These limitations, periodically published in the Federal Register, are based on the lowest price at which the drug is widely and consistently available to pharmacists and the most frequently purhased package size. For purchases made after the date for which a MAC limitation has been established for a particular drug, the allowable cost may not exceed the lowest of: (1) the actual cost; (2) the amount which would be paid by a prudent and cost-conscious buyer for the drug if obtained from the lowest-priced source that is widely and consistently available within a provider's service area whether sold by a generic or brand name; or (3) the MAC limit. An exception is permitted where a physician has certified that in his medical judgment a specific brand name drug is medically necessary for a particular patient.

Hospital-based physicians

Many hospitals retain physicians on a full-time basis particularly in the fields of radiology, anesthesiology, and pathology. These provider-based physicians generally engage in a variety of activities including teaching, research, administration, and other provider-related activities as well as direct medical services to individual patients. The general practice among many hospitals and other providers employing these physicians is to compensate them either on a fixed salary or a percentage of income basis (either gross or net) for all their services. There are also arrangements under which the physician assumes all or part of the costs of operating a provider department through a lease or concession arrangement.

For purposes of medicare reimbursement a distinction must be made between those medical and surgical rendered directly by the physician to an individual patient (the professional component) and those services such as teaching, research, etc., that the physician performs for the provider (the provider component). The provider component is included as part of the hospital's allowable costs; reimbursement is made to the hospital under part A for inpatient services. There are several methods for determining payments to hospitals for provider-related services—for example, the amount of time the physician spends in such activities. Reimbursement for direct patient care services rendered to individual patients is generally made under the part B program.

COST APPORTIONMENT

Under medicare, total allowable costs of a provider must be apportioned between program beneficiaries and other patients so that the share borne by the program is based on actual services received by medicare beneficiaries. For cost reporting periods beginning after June 1979, hospitals have been required to use the *Departmental Method* of apportionment. This method generally involves three main steps:

—Calculation of the ratio of beneficiary charges to total charges for each ancillary department and application of this ratio to total allowable charges to determine medicare's share.

—Calculation of a separate average per diem cost for general routine services and for each special care unit in the hospital.

—A separate calculation of medicare costs for malpractice insurance premiums and self-insurance fund contributions.

The sum of these calculations equals the portion of allowable costs which is reimbursable under medicare (less any applicable deductible and coinsurance amounts). The following sections outline how each of these calculations is made.

Ancillary departments

Hospital ancillary departments are those such as the operating room, laboratory, pharmacy, etc., which customarily bill charges in addition to those made for routine services. For each ancillary department, the cost of services rendered to program beneficiaries is determined through the use of the RCC (ratio of beneficiary charges to total charges) method. Under RCC, charges for covered services attributable to medicare patients are divided by the total charges made for covered services to all hospital patients. The resulting percentage is then multiplied by total allowable costs to determine medicare's reimbursement liability to the institution.

In order that its charges may be allowable for use in apportioning program costs, the facility should have an established charge structure which is uniformly applied as services are rendered and which is reasonably consistently related to the cost of providing services. It should be emphasized that medicare pays on the basis of costs, not charges. Individual charges to medicare patients affect reimbursement only to the extent that they determine the percentage of allowable costs for which payments will be made.

The following example shows how costs for ancillary departments are computed:

Department	Charges to beneficiaries	Total charges	Ratio (in percent)	Total allowable cost	Cost of beneficiary services
Operating room	$40,000	$140,000	28.57	$154,000	$44,000
Pharmacy	40,000	120,000	33.33	90,000	30,000
Laboratory	80,000	280,000	28.57	196,000	56,000
X-ray	48,000	200,000	24.00	150,000	36,000
Delivery	0	24,000	0	60,000	0
Others	12,000	60,000	20.00	50,000	10,000
Total	220,000	824,000		700,000	176,000

Routine services and special care units

Routine hospital services include room and board, nursing services, minor medical and surgical supplies, and the use of equipment and facilities for which a separate charge is not customarily made. Intensive care type units are those which furnish services to critically ill patients such as intensive care units, trauma units, coronary care units, pulmonary care units, and burn centers.

The costs of general routine services and intensive care units are determined on a per diem (i.e., per day) basis. The average per diem cost is derived for each unit and applied to the number of beneficiary days in the unit to determine medicare's share. The following example demonstrates how these costs are computed:

Cost center	Total days	Total cost	Average cost per diem	Beneficiary days	Cost of beneficiary services
General routine	30,000	$3,000,000	$100	8,000	$800,000
Coronary care unit	500	60,000	120	200	24,000
Intensive care unit	4,000	440,000	110	1,000	110,000
Total	34,500	3,500,000		9,200	934,000

In the case of routine services, an adjustment is made for the inpatient routine nursing salary cost differential. Further, recognized routine operating costs are subject to specified per diem limits.

Malpractice costs

Effective for cost reporting periods beginning after June 1979, providers have been required to separately determine malpractice insurance premiums and self-insurance fund contributions attributable to medicare. Unlike other ancillary department costs, which are apportioned on the basis of beneficiary charges to total charges, apportionment is based on the dollar ratio of a provider's paid medicare malpractice losses to its total paid malpractice losses for the current reporting period and the preceding 4-year period. In a case where the provider has no malpractice loss experience over the period, malpractice costs are to be apportioned to medicare on the basis of the national ratio of malpractice awards paid to medicare beneficiaries compared to such awards paid to all patients. Where a provider pays uninsured malpractice losses in behalf of medicare beneficiaries that are determined to be allowable, such losses and related direct costs are directly assigned to medicare for reimbursement.

Prior to July 1979, malpractice costs were apportioned on the basis of the ratio of medicare charges to total charges. HCFA, in issuing the revised regulations, stated that this method had resulted in medicare paying a disproportionate amount of such costs. Malpractice awards for medicare patients are significantly less than awards for the remainder of the patient population because the income potential and life expectancy of medicare patients are less than that for the general population.

SPECIAL LIMITS

Inpatient routine nursing salary cost differential

Since July 1969, the Secretary has paid an additional amount for general inpatient routine nursing salary costs on the theory that older patients require more nursing care than the average patient. This amount, known as the inpatient routine nursing salary cost differential, was 8.5 percent; however, Public Law 97-35, the "Omnibus Budget Reconciliation Act of 1981," reduced the differential to 5 percent, effective October 1, 1981.

Limits on general routine operating costs ("section 223 limits")

By law, the Secretary is authorized to set prospective limits on reimbursable costs under medicare. These limits may be applied to direct or indirect overall costs or to costs incurred for specific items or services based on estimates of the cost necessary in the efficient delivery of needed health services. Pursuant to this authority, the Secretary has established limits on inpatient general routine operating costs (room, board, nursing, etc.) for hospitals, inpatient routine service costs for skilled nursing facilities, and per visit costs for home health agencies. These limits are often called "section 223 limits" which refers to the section of the Social Security Amendments of 1972 which authorized the Secretary to establish such limits.

On June 30, 1981, a schedule was published which was applicable for hospital cost reporting periods beginning on or after July 1, 1981. The published limits, calculated on a per diem basis, were set at 112 percent of the mean labor-related and the mean non-labor related costs of each comparison group of hospitals. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) lowered the reimbursement limits from 112 percent to 108 percent of the mean under the methodolgy currently in use, effective for that portion of a hospital cost reporting period occurring after September 30, 1981.

The current limits on hospital per diem general routine operating costs do not apply to capital-related costs, costs of approved medical or nursing education programs, costs of special care units, or ancillary services or malpractice insurance costs.

Capital expenditures limitation

Section 1122 of the Social Security Act authorizes the Secretary to exclude from medicare reimbursement to providers amounts in connection with certain capital expenditures if these expenditures have not been approved by the designated planning agency. Expenditures subject to review by the planning agency (generally the State Health Planning and Development Agency) are those which: (1) exceed $100,000; (2) change the bed capacity of the facility; or (3) substantially change the services of the facility with respect to which the expenditure is made. If the expenditure is deemed unnecessary, the Secretary is empowered to withhold funds for any amount attributable to depreciation, interest on borrowed funds, a return on equity capital (in the case of proprietary facilities) and other expenditures related to the capital expenditure.

Payment for inappropriate hospital services

In a number of cases, medicare beneficiaries who no longer require acute hospital services remain in the hospital because no long-term care bed (deemed medically necessary) is available in the community. Recent legislation provided for a reduction in program payments made in behalf of such individuals. The Omnibus Reconciliation Act of 1980 (Public Law 96-499) as modified by the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) provides that in the case of such individuals, hospitals will be reimbursed at a daily rate equal to the estimated adjusted average medicaid skilled nursing facility (SNF) rate. No reduction is to be made in the payment rate where the Secretary determines that there is no excess of hospital beds in either the individual hospital or in the area. No reduction is to be made in the case of a public hospital if: (1) such hospital itself has no excess beds and is part of a public hospital systems which, in the aggregate, has no excess of beds; or (2) such hospital, which is not part of a public hospital system in the area, has no excess of hospital beds.

One purpose of this provision is to encourage hospitals which have an excess of acute-care beds to convert some of these to long-term care beds. Public Law 96-499 also permitted the Secretary to enter into agreements with rural hospitals with less than 50 beds to permit them to use their beds on a "swing basis" as acute or long-term care beds as needed; reimbursement would be appropriately modified to reflect the lower cost of less-than-acute care.

REIMBURSEMENT TO SKILLED NURSING FACILITIES AND HOME HEALTH AGENCY SERVICES

In general terms, the rules used to determine the reasonable cost for inpatient hospital services are also utilized for determining such costs for services furnished by skilled nursing facilities (SNF's) and home health agencies. However, there are several significant differences; the major ones are as follows:

—All home health agencies are required to use the cost per visit by type of service method of apportioning costs (in lieu of the Departmental Method discussed earlier in this appendix). Under this method, the total allowable costs of all visits for each type of service (skilled nursing, home health aide, etc.) is divided by the total number of visits for that type of service. These average cost per visit amounts are multiplied by the number of covered medicare visits for each type of service. The products represent the cost medicare will recognize by type of service, subject to home health agency cost limits.

—Cost limits for home health agencies are set at a specified percentile of average per visit costs. Though the limits are established by type of service they are applied to each agency as a single aggregate limit based on the number of visits for each type of service. Public Law 97-35 reduced from the 80th to the 75th percentile the reimbursement limits applied to home health agency costs, effective October 1, 1981. The Secretary issued implementing regulations on September 30, 1981. (See discussion concerning the Secretary's authority to establish "223" limits.)

—Reimbursement limits for skilled nursing facilities have been established for inpatient general routine service costs. On September 30, 1981, the schedule of limits was published for cost reporting periods beginning on or after October 1, 1981. These limits are set at 112 percent of the average labor-related and average non-labor related costs of each comparison group. Separate limits are established for hospital-based and free-standing facilities.

—SNF's currently remain governed by the 8.5 percent inpatient routine nursing salary cost differential.

REIMBURSEMENT TO PHYSICIANS

Under part B, physicians and other suppliers of services may choose on a bill-by-bill basis whether or not to accept an "assignment" under the terms of which they will be bound by the program's reimbursement policies. Reimbursement is made based upon "reasonable charges" for covered services. The reasonable charge for a specific service, in the absence of unusual medical complications, or certain other circumstances, is the lowest of: (a) the physician's "customary charge" for the service, (b) the "prevailing charge" for that service in the area, or (c) the physician's actual charge. Further, the law provides that the "reasonable charge" for a service may not exceed the charge applicable for a comparable service under comparable circumstances to the policyholders or subscribers of the "carriers" which administer the part B program.

The physician's "customary charge" for a service is the uniform amount which he charges in the majority of cases for a specific medical procedure or service.

A "prevailing charge" is the upper limit in a locality on the charges for a specific procedure. Carriers base their "prevailing charge" screens on the overall pattern of customary charges in the locality. The prevailing limit on the reasonable charge for a specific service is set at a level no higher than is necessary to cover the 75th percentile of customary charges.

"Customary" and "prevailing" charge screens are updated every July 1 and are based on charge data developed by the carrier for the prior calendar year.

Allowable increases in "prevailing charge" screens are further subject to an economic index limitation which is applied nationally and is based on the weighted average of changes in general earnings levels and changes in expenses of the kind incurred by physicians in office practice.

Rates promulgated to date are shown in Table 1.

TABLE 1.—ECONOMIC INDEX VALUES AND PERCENTAGE INCREASE OVER PRIOR PERIOD

Period	Rates	Percent [1]
July 1, 1973	1.000	....
July 1, 1975 to June 30, 1976	1.179	[2] 17.90
July 1, 1976 to June 30, 1977	1.276	8.23
July 1, 1977 to June 30, 1978	1.357	6.35
July 1, 1978 to June 30, 1979	1.426	5.08
July 1, 1979 to June 30, 1980	1.533	7.50
July 1, 1980 to June 30, 1981	1.658	8.15
July 1, 1981 to June 30, 1982	1.790	7.96

[1] Percent increase over prior period.

[2] Large increase due to delay in implementation.

Thus, if the prevailing charge for a particular service was $100 in fiscal year 1973, the maximum recognized prevailing charge would be $117.90 for the period July 1, 1975–June 30, 1976, $127.60 for July 1, 1976–June 30, 1977, $135.70 for July 1, 1977–June 30, 1978, $142.60 for July 1, 1978–June 30, 1979, $153.30 for July 1, 1979–June 30, 1980, $165.80 for July 1, 1980–June 30, 1981, and $179.00 for July 1, 1981–June 30, 1982.

EXAMPLES OF "REASONABLE CHARGE" DETERMINATIONS

Situation: The prevailing charge for a specific procedure is $100 in a certain locality.

—Dr. A's bill is for $75, although he customarily charges $80.

—Dr. B's bill is his customary charge of $85.

—Dr. C's bill is for $90, although he customarily charges $80, and there are no special circumstances in the case.

—Dr. D's bill is his customary charge of $125.

The reasonable charge for Dr. A is $75, since under the law the reasonable charge cannot exceed the actual charge, even if it is lower than the customary charge and below the prevailing charge.

The reasonable charge for Dr. B is $85, because it is his customary charge and it does not exceed the prevailing charge for the locality.

The reasonable charge for Dr. C is $80, because that is his customary charge. Even though his actual charge falls below the prevailing charge, the reasonable charge cannot exceed his customary charge in the absence of special circumstances.

The reasonable charge for Dr. D is $100, the prevailing charge in the locality.

DEFINITION OF "ASSIGNMENTS"

Payment for physician services under medicare is made by the Part B carrier either to the doctor or to the beneficiary depending upon whether or not the physician has accepted assignment for the claim. In the case of nonassigned claims, payment is made directly to the beneficiary on the basis of an itemized bill, paid or unpaid. The beneficiary is responsible for the deductible and coinsurance amounts plus any difference between the physician's actual charge and the medicare-determined reasonable charge. Alternatively the beneficiary may assign (i.e., transfer) his rights to payment to the physician provided the physician is willing to accept medicare's reasonable charge determinaiton as the full charge for covered services. If the physician accepts assignment, he bills the program directly and is paid medicare's charge less any deductible and the coinsurance. He may not charge the beneficiary (nor can he collect from another party such as a private insurer) more than the applicable deductible and coinsurance amounts.

A physician may accept or refuse requests for assignments on a bill-by-bill basis, from different patients at different times, or from the same patient at different times. However, he is precluded from "fragmenting" bills for the purpose of circumventing reasonable charge limitations; he must either accept assignment or bill the patient for all of the services performed on one occasion. Additionally, when a physician treats a patient who is eligible for medicaid, he is essentially required to accept assignment. Total reimbursement for services provided to these dual eligibles is equivalent to the medicare-determined reasonable charge with medicaid picking up the required deductible and coinsurance amounts.

When a physician accepts assignment, the beneficiary is protected against having to pay any difference between medicare's determined reasonable charge and the physician's actual charge. Further, the patient never has to handle the paperwork in connection with the claim (though many doctors will do this for the patient in the case of non-assigned as well as assigned claims). However, only about half of medicare's claims are paid on an assignment basis. In the remaining cases, the beneficiary is liable for any difference between the actual charge and the medicare determined reasonable charge.

ASSIGNMENT RATE EXPERIENCE

The total number of assigned claims as a percentage of total claims received by medicare carriers is known as the total assignment rate. The net assignment rate is computed in the same manner except that it omits hospital-based physicians and group-practice prepayment plans which are considered assigned by definition. The net assignment rate has declined since 1968, the year the Department of Health, Education, and Welfare (now the Department of Health and Human Services) began reporting this data; however, the rate appears to have leveled off at about 50 percent. Table 2 shows the net assignment rates for calendar years 1968–80.

TABLE 2.—NET ASSIGNMENT RATES, BY YEAR AND QUARTER, 1968–80

[In percent]

Calendar year	Net assignment rate
1968	59.0
1969	61.5
1970	60.8
1971	58.5
1972	54.9
1973	52.7
1974	51.9
1975	51.8
1976	50.5
1977	50.5
1978	50.6
1979	51.3
1980	51.5

Source: Ferry, Thomas P., et al. Physicians Charges Under Medicare: Assignment Rates and Beneficiary Liability. Health Care Financing Review. Winter 1980. p. 50, and telephone conversation with staff of Health Care Financing Administration, Department of Health and Human Services.

The statistics included in Table 2 are program-wide data. Net assignment rates also vary geographically. For example, in 1969 the net assignment rate ranged from a high of 73.7 percent in the Boston region to a low of 48.7 percent in the New York region. By 1980, the net assignment rate had declined in every region except two; New York and Philadelphia.

TABLE 3.—NET ASSIGNMENT RATES, BY REGION, 1969 AND 1980

[In percent]

Region	1969[1]	1980[2]	Percent change
Boston	73.7	67.4	−8.5
New York	48.7	51.8	6.4
Philadelphia	57.3	61.6	7.5
Atlanta	58.8	52.3	−11.1
Chicago	54.5	47.6	−12.7
Dallas	71.1	50.3	−29.3
Kansas City	63.8	40.4	−36.7
Denver	73.0	39.5	−45.9
San Francisco	70.5	53.2	−24.5
Seattle	64.8	31.3	−51.7

[1] From Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. DHEW Pub. No. (SSA) 72-11702, HI-33, January 10, 1972. p. 6.

[2] From telephone conversation with staff of Health Care Financing Administration, Department of Health and Human Services.

These limitations have been accompanied by a substantial increase in the reasonable charge reduction rate—i.e., the percentage of claims for which the physician receives a reduced payment, because his bill is greater than the reasonable charge determination by the carrier. During the third quarter of 1969, the reasonable charge reduction rate for assigned claims stood at about 22 percent.[3] This meant that about one in five approved assigned claims resulted in a payment to a physician of an amount less than his billed charges. For the second quarter of 1981, the reasonable charge reduction rate among assigned claims (excluding those from hospital-based physicians) had reached 84.4 percent. In other words, over four-fifths of all assigned claims resulted in reduced payments from billed charges (amounting to $27.63 per approved claim). Physicians who do not accept assignments may not be affected by possible reductions in billed charges; the beneficiary must make up the difference. The reasonable charge reduction rate for such unassigned claims (excluding those from hospital-based physicians) during the second quarter of 1981 was also sizable—86.9 percent. The amount reduced per approved claim was $27.30.[4]

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[3] Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics. Assignment Rates for Supplementary Medical Insurance Claims, Calendar Years 1970–72, DHEW Pub. No. (SSA) 78-11702, HI-46, June 30, 1973. p. 7.

[4] Department of Health and Human Services, Health Care Financing Administration, Bureau of Program Operations. Quarterly Report on Part B Carrier Reasonable Charge and Denial Activity, April–June 1981, September 1981.

APPENDIX G

ANALYSIS OF ADMINISTRATIVE COSTS BY PROGRAM

ANALYSIS OF ADMINISTRATIVE COSTS BY PROGRAM

Table 1 shows administrative costs, benefit costs, and the average number of recipient filing units for various major entitlement programs in fiscal year 1980.[1] In addition, administrative costs as a proportion of benefits are shown as well as average administrative costs per filing unit.

Average administrative costs per benefit dollar vary from 12.3 percent for aid to families with dependent children (AFDC) to 1.2 percent for old-age survivors insurance (OASI). The average annual administrative costs per filing unit also vary substantially, from a high of $388 and $384 for unemployment insurance (UI) and AFDC respectively, to $38 for OASI.

There are four major reasons for differences in administrative costs per benefit dollar and per filing unit. These are:

—The complexity of the initial eligibility and benefit determination process.

—The extent to which the agency maintains contact with the recipients and carries out redeterminations.

—The turnover in the caseload.

—Special program-related administrative activities.

In general, a complicated eligibility process, continuing agency contact with recipients, frequent redeterminations and/or high caseload turnover lead to a costly administrative process. A high turnover rate in a program means that, over the course of a year, more initial determinations are made, which are often more comprehensive and therefore more expensive than follow-up case reviews or redeterminations. Even in programs with little on-going recipient contact, a high turnover rate will cause higher average administrative costs per case over the course of a year. Requirements for frequent recipient reporting of financial or household circumstances and for redeterminations of eligibility and benefits also imply continued administrative expenses, as do extensive quality control systems.

Following is a discussion of each program shown in Table 1 and an assessment of why it is more or less costly to administer than the other programs.

UNEMPLOYMENT INSURANCE (UI)

Unemployment insurance has the highest administrative costs per recipient unit of the programs shown, although the cost is not much above that of AFDC. However, the cost of administration per benefit dollar under UI is about 30 percent below that cost for AFDC. The primary reason for the high administrative costs for UI is that the UI system must collect employer taxes and maintain extensive records. While initial UI determinations do not require extensive data collection on income and household characteristics, the costs of the employer tax collection process are a considerable added expense. Turnover is also a major cost factor in UI. Due to statutory limitations on the length of time an individual may receive UI, as well as the general use of the program as a short-term, stop-gap source of income, the UI caseload has substantially more turnover than do means-tested income maintenance programs such as AFDC. For example, in 1980 the average number of weeks for which benefits were received was 15.4.

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[1] The average number of recipient filing units represent the size of the caseload on average at any point in time during the year.

Although average administrative costs per case are high under UI, the ratio of administrative costs to benefit dollars spent is moderate in comparison with other programs. This is true largely because UI is a partial wage-replacement program, and the average benefits (the denominator in the ratio) are large in comparison with income-tested welfare programs.

AID TO FAMILIES WITH DEPENDENT CHILDREN

Aid to families with dependent children is a means-tested income maintenance program providing benefits to family units. The average cost for program administration[2] was $384 per family in 1980, making it one of the more expensive programs by this yardstick.

There are several features of AFDC and the administrative processes for that program that determine these costs. First, the means test that is administered at the initial eligibility interview and in subsequent redeterminations (which are supposed to take place every 6 months) is extensive, requiring documentation of every source of income received by every family member. In the case of many types of income, eligibility workers must collect verification from second sources or from collateral contacts with people or institutions (such as local banks) likely to know the applicant. Further, because the income and resources of all members of the family filing unit must be counted and verified, the extended nature of this filing unit, compared with, for example UI, is more costly. AFDC families with multiple members are likely to have multiple sources of income. At least some of these sources are likely to fluctuate and therefore are difficult to determine precisely. In addition, at a given point in time, up to 14 percent of AFDC mothers are employed (over time, this proportion is probably considerably larger). The accurate determination and verification of earnings and the work-related expenses that must be accounted for in the AFDC eligibility process is also a complicating and time-consuming factor.

In addition to income, the AFDC eligibility process requires documentation and verification of family composition and household relationships as well as financial assets such as bank accounts, life insurance policies, and certain motor vehicles. Again, the documentation that is required for these items is extensive, requiring considerable time on the part of eligibility workers per case.

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[2] Administrative costs reported here include neither the child support enforcement activities nor social services provided to AFDC families. However, quality control activities are included.

Not only is AFDC costly on a per case basis, but also the ratio of administrative costs to benefit dollars is high. In fiscal year 1980 it was 12.3 percent, nearly 40 percent higher than UI. This difference is primarily attributable to the lower benefits under AFDC. For example, for the 1980 data shown in Table 1, the average annual benefit per filing unit was $3,126. Under UI the average was 50 percent higher at $4,769.

SUPPLEMENTAL SECURITY INCOME (SSI)

Supplemental security income ranks third in administrative costs per filing unit among the programs shown in Table 1, and for several reasons is substantially less costly than either AFDC or UI. These reasons are related to the characteristics of the caseload. SSI recipients are, by definition, aged, blind, or disabled individuals—conditions that do not change in time—who are also poor. Therefore, turnover is low. While SSI is a means-tested program, the household and income circumstances of these people generally are less complex and less subject to change than those of the generally young families constituting the AFDC caseload. In general, SSI recipients do not have earned income and most SSI filing units are single individuals. As a result of their personal circumstances, eligibility determinations can be completed with less effort than an AFDC case, and because of the low turnover in the caseload there are fewer new determinations as a proportion of the caseload in a year.

It is interesting to compare SSI costs to costs under OASI and disability insurance (DI). SSI is substantially higher. However, while the characteristics of these caseloads are similar, the presence of the means test in SSI, and the requirement that there be yearly redetermination of means eligibility, has a substantial impact on the on-going administrative costs of SSI. In addition, the cost of securing medical evidence for applicants for SSI disability is frequenty paid by the Federal Government. As discussed under OASI and DI, there are few on-going costs associated with those programs once eligibility has been determined. Thus, the high cost of a means test, as discussed under AFDC, is reflected in the administrative costs of SSI also.

OASI AND DI

Social security retirement and survivor benefits and disability benefits have extremely low administrative costs per filing unit. These costs, as shown in Table 1, are $38 and $70 respectively.

Under OASI, once the initial financial determination is made, the only action taken to maintain the beneficiary caseload from that point on is simply the processing of checks. There is virtually no further routine personal contact with beneficiaries, although changes in such things as age of children and any earnings must be reported.

The DI program has costs that are nearly twice as high as OASI; yet, on average the cost per case is low, averaging almost 60 percent below that of SSI, for example. While DI involves an extensive medical review at initial determination and, for certain cases, a subsequent medical redetermination, those medical costs are usually paid by the applicant (although there are exceptions). Nevertheless, on-going recipient contact involves primarily check-processing,[3] an automated, routine, and inexpensive process.

MEDICARE A AND B

Table 1 shows medical costs per filing unit for both those enrolled in the programs and those who actually used a medical service during the year. Average administrative costs per actual recipient of services in these programs appear comparatively low. Most of the eligibility determination is a paper process, with no personal interview required, and it is up to the beneficiary and/or the physician or medical facility to prepare most of the required documentation. As expected, medicare part B, the supplemental medical insurance program, has higher costs than the basic hospital insurance program under part A because inpatient hospital services are simply more expensive. Also, a large proportion of those receiving protection under the part B program actually use the services in a given year.

LOW INCOME ENERGY ASSISTANCE PROGRAM (LIEAP)

The figures in Table 1 for the LIEAP are imprecise and preliminary, and should therefore be used with caution. Because of the nature of the data and the nature of this program in 1980, little meaning can be drawn from the administrative costs on a per case basis. The filing units reported include an unknown number of households that received more than one energy assistance check during the winter of 1980. Thus, this is not a totally unduplicated count of filing units under this program.

Costs for this program on a per case basis were reported to vary substantially because different methods were used to distribute the funds. In some cases, funds automatically were sent to recipients of other means-tested entitlement programs at little administrative cost, while in other cases funds were given only to those who supplied extensive applications and documentation of circumstances. Overall, it is estimated that administrative costs were roughly 5.1 percent of all program costs.

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[3] The Omnibus Reconciliation Act of 1981 requires more frequent redeterminations of disability than previously. Administrative costs, therefore, are likely to increase. This requirement took effect in January 1982.

TABLE 1.—ADMINISTRATIVE COSTS, BENEFITS PAID, AVERAGE RECIPIENTS, AND COSTS PER RECIPIENTS IN FISCAL YEAR 1980

[In thousands]

	AFDC	SSI [1]	UI	Low-income energy assistance	Medicare, part A	Medicare, part B	OASI	DI
Total administrative costs	$1,391,410	$678,123	$1,145,024	$75,100	$449,594	$675,572	$1,159,659	$334,169
Federal	$695,705	$658,356	$1,145,024	$75,100	...	...	...	...
State	$695,705	$19,767	...	...	...	...	...	...
Total benefits paid	$11,320,919	$7,716,302	$14,068,135	$1,464,000	$23,823,157	$10,051,798	$100,615,304	$14,898,823
Federal	$6,113,296	[2] $5,707,461	...	$1,464,000	...	...	...	...
State	$5,207,623	[3] $2,008,841	[4] $14,068,135	...	...	...	...	...
Administrative costs per benefit dollar (percent)	12.3	8.8	8.1	5.1	1.9	6.7	1.2	2.2
Average number of filing units	[5] 3,621	[6] [7] 4,010	[8] 2,950	9,690	[9] 27,548 [10] 6,660	[9] 27,113 [10] 17,262	30,500	4,800
Average administrative costs per filing unit [11]	$384	$169	$388	...	[9] $16 [10] $68	[9] $25 [10] $39	$38	$70

[1] Figures for SSI include all Federal and State costs and recipients. State administrative costs for those States administering their supplemental payments were estimated by applying the overall proportion of administrative costs to benefit costs to the State benefit costs. This proportion is 8.9 percent. State-administered supplemental benefits are estimated by SSA to be $222,100 in fiscal year 1980.

[2] Federal benefit costs include (in thousands):

Federal benefits	$5,652,911
Hold harmless payments to States	39,312
Federal liability for errors	9,286
Benefits to Indo-Chinese refugees	5,952
Total	5,707,461

[3] State benefit costs include $1,786,741,000 in federally administered State supplements plus $222,100,000 in State-administered supplements (total $2,008,841,000).

[4] UI benefits are paid by the States from the trust fund established with revenues from UI taxes on employers.

[5] The average AFDC family unit included 2.9 persons in December 1980. Thus, there were 10.5 million individuals in AFDC families.

[6] Average number of recipients during the year includes 4,160,000 recipients of federally administered benefits plus 251,000 recipients of State-administered benefits, estimated from table M–25 in the December 1981 Social Security Bulletin.

[7] ORS/SSA estimates the average SSI recipient unit to include 1.1 persons.

[8] Number of recipients represent the average for a point in time for calendar year 1980. (Fiscal year figures are not available.)

[9] Enrolled.

[10] Received.

[11] Filing Units: A filing unit is defined as either the individual or group of individuals on behalf of whom an eligibility determination and an assistance payment are made. For programs under which administrative actions are taken and/or checks are issued to individuals, the number of individual recipients is shown as the filing unit. For AFDC, one administrative action (eligibility and benefit determination) is taken and one check is issued per family. Therefore, for that program, the table shows the number of family filing units and the administrative costs per each of those units.

Following is a description of the filing unit for each program shown in the table.

AFDC: The filing unit is a family, including dependent children and their caretaker relative. In 23 jurisdictions the unit may include families in which both parents are present if one is unemployed according to a specific definition of unemployment. In other States and territories, only single-parent families may qualify. The payments made are adjusted for family size. One application is made per family, and eligibility and benefits are determined on a family-unit basis. The average AFDC family included 2.9 persons in December 1980.

SSI: The filing unit is usually the aged, blind, or disabled individual. In cases in which a married couple receives SSI benefits, each member of the couple must pass the eligibility test individually. When each member of a couple is determined eligible, the total benefits to the couple equal 150 percent of the amount for a single individual. Thus, most SSI units are single individuals, although there are enough two-person units to make the average filing unit size 1.1 persons.

UI: Unemployment Insurance is paid on behalf of the unemployed worker, alone, with no consideration of the presence of other employed, unemployed, or dependent persons in the claimant's household. In some States there is a small dependent's allowance. Thus, the filing unit is only the individual claimant.

Low-Income Energy Assistance: These numbers should be considered approximate and preliminary. These benefits are paid to housing units. However, in 1980, assistance was to be provided to some categories of people on the basis of their participation in various transfer and social service programs, and the result was some duplication of benefits within housing units. Further, the 9,690,000 recipient units indicated in the table include some instances in which more than one grant award was issued to a housing unit during the winter. Therefore, this recipient unit figure for 1980 includes an unknown amount of double counting.

Medicare A and B: The recipients shown in the table are single individuals who were enrolled in or who actually received benefits from Medicare. No data are available on how these individuals may fall into household units, although there are clearly many couples receiving Medicare. Nevertheless, each person's medical needs are handled individually, and therefore the individual recipient is the appropriate unit for which to determine costs.

OASI: As in Medicare, the recipients shown in the table represent single individuals and do not reflect any household composition. The recipient individuals include survivors and dependents as well as the retired beneficiary. Under OASI, entitled individuals' checks may be issued separately or jointly for members of the same household at the choice of the recipients.

DI: Under Social Security Disability Insurance, beneficiaries include the disabled worker as well as the spouse of that worker and any dependents. The initial administrative action taken pertains to the workers' disability and financial eligibility. Once eligibility for a disabled worker is determined, a determination is made about benefits to the spouse and to dependents. When each family member's eligibility is established, individual checks may be sent to household members or benefits may be combined in one check. Nevertheless, administrative actions are required for each household member. The figures in the table indicate total beneficiaries, including the disabled worker and each recipient spouse or dependent. Data are not available on the number of families or households these recipients represent.

Source: AFDC, UI: Budget of the United States Government, fiscal year 1982.

SSI: Budget of the United States Government, fiscal year 1982; Social Security Administration, Office of Finance Resources.

LIEAP: The 1980 Low Income Energy Assistance Program: A Review and Assessment. U.S.R. & E. August 1981; HHS/OFA.

Medicare: 1980 Annual Report Federal Hospital Insurance Trust Fund, GPO–1980.

OASI, DI: 1981 Annual Report Federal Old-Age and Survivors Insurance and Disability Insurance Trust Fund, GPO–1981.

APPENDIX H

QUALITY CONTROL SYSTEMS

QUALITY CONTROL SYSTEMS

In the four major welfare programs, AFDC, SSI, medicaid, and the food stamp program, the Federal Government and the States have established on-going "quality control" systems. These systems have two goals: correcting faults in program administration that contribute to erroneous payments and reducing the extent of misspent benefit dollars. To these ends, they attempt to: (1) measure the extent and dollar value of "errors" in administration; (2) identify the types and causes of error; and (3) specify and monitor corrective actions taken to eliminate or reduce errors.

Fiscal incentives and sanctions have also been made a part of these systems. In the AFDC and food stamp systems, States may receive increased Federal funding of their program costs if their rate of erroneous payments meets Federal standards. Further, under the AFDC, medicaid and food stamp systems, they may be held financially liable to the Federal Government for erroneous payments in excess of Federal standards, based on information collected through the semi-annual quality control surveys. In the SSI system, the Federal Government may be held liable to States for erroneous payment of State-funded (but federally administered) supplements to the basic Federal SSI payment when they exceed a "tolerance" level of error.

MEASUREMENT OF ERROR

The core of the four existing quality control systems is the semi-annual quality control survey. Every 6 months (October/March and April/September) each system compiles the results of a randomly selected, statistically valid sample survey of cases, ranging from 40,000 to 75,000 cases, nationwide. Each selected case is subjected to a thorough review by quality control personnel, including a full field investigation. This review identifies payments to ineligibles, overpayments, underpayments, the type of error made, the responsibility (recipient versus administering agency) for the error, and, in some cases, incorrect denials of aid. Error "rates" are then established for that 6-month review period for each State: "caseload" error rates indicate the proportion of ineligible cases, overpaid cases, underpaid cases, and, in some cases, improperly denied cases in the sample caseload; "payment" error rates indicate the extent of erroneous payments in each category of error as a proportion of total dollars paid out to the sampled caseload. Moreover, information on the sources and types of errors identified in each quality control review is compiled for use in implementing administrative "corrective actions" intended to reduce or eliminate similar errors in the future.

In the AFDC and food stamp systems, quality control error rates quantify the extent to which eligibility and payment errors exist in the State-administered caseloads of these two programs. In the medicaid system, quality control error rates indicate the extent to which errors as to eligibility, overpayment, claims processing (payment of improper claims), and identification of third-party liability exist in the medicaid population. And, in the SSI system, quality control error rates illustrate the extent and cost of errors in the federally administered caseload.

The "errors" identified and measured in all four quality control systems range from simple procedural or arithmetical mistakes, to lack of verification or nonreporting of income, to outright recipient fraud. As a result, although quality control error rates and the information behind them do give a picture of the extent to which improper decisions are being made and help administering agencies pinpoint areas where improvement is needed, they do not represent a statistically accurate measure of intentional actions such as fraud. In fact, "agency-caused" procedural errors make up nearly half the errors typically identified in quality control surveys, and "recipient-caused" errors are often simple mistakes in understanding what is required or failure to provide information on a timely basis.

ADMINISTRATION

In the AFDC, medicaid, and food stamp programs, the quality control systems are operated by State quality control staff under Federal guidelines and supervision; in the SSI program, the entire quality control system is federally operated since it measures the performance of Federal administration. When identifying errors in food stamp and SSI administration, agency and recipient actions are compared to Federal rules; in the AFDC and medicaid systems, errors are identified through comparison with State rules established under general Federal guidelines.

The cost of operating quality control systems is carried as a regular administrative cost and shared in by the States and Federal Government, just as any other administrative expense.

CORRECTIVE ACTION

The basic goal of quality control systems is to reduce, over time, the extent and cost of errors in program administration. As part of each system, "corrective action plans" for error reduction are regularly formulated based on the findings of the quality control sample surveys. Corrective actions can range from personnel policy changes or new computer systems, to substantive changes in eligibility rules or procedures for verifying information provided by recipients. Very often, "error-prone" profiles are drawn up from the results of quality control surveys to assist administrators in identifying cases to which particular attention should be paid.

SANCTIONS AND INCENTIVES

Another use of the results of a quality control sample is to determine the degree to which States (or the Federal Government in the case of SSI) will be held financially liable for erroneous payments and the amount of increased Federal funding of State costs in cases where States meet Federal standards for low levels of erroneous payments.

In the AFDC, medicaid, and food stamp systems, States may be "sanctioned" by being required to pay the Federal Government the Federal cost of improperly issued benefits, as shown by quality control surveys, if they do not keep their error rates below a national average or show a reduction in their error rates that meets a regularly adjusted "target improvement rate." However, waivers of these sanctions are allowed and have, thus far, been regularly granted. The fiscal sanction that may be imposed is the amount of Federal funds misspent above what the State's error rate would have been if it had met its target improvement rate. In the SSI system, the Federal Government is to reimburse States for their share of federally administered SSI funds misspent above a 4 percent "tolerance level."

Graduated incentive payments are authorized to States whose cumulative quality control payment error rates fall below 4 percent (in the AFDC system) and to States whose cumulative payment error rates either fall below 8 percent or whose annual rate of error reduction equals or exceeds 25 percent (in the food stamp system). Under the AFDC system, the incentive payment is a graduated percentage of Federal cost savings achieved by having a cumulative payment error rate below 4 percent; food stamp incentive payments are made as graduated increases in the Federal share of State administrative expenses—from the normal 50 percent to as high as 65 percent where the cumulative error rate is less than 5 percent. The food stamp incentive payment requirements also stipulate that the rate of improper denials must fall below a Federal tolerance level in order for an incentive payment to be made on the basis of low or rapidly reducing rates of erroneous payment.

TABLE 1.—CUMULATIVE PAYMENT ERROR RATES: AFDC, MEDICAID, AND FOOD STAMPS (APRIL 1980/SEPTEMBER 1980)

[In percent]

State	AFDC [1]	Medicaid [2]	Food stamps [1]
Alabama	7.6	6.5	7.9
Alaska	14.4	9.6	13.3
Arizona	9.5	N.A.	10.7
Arkansas	6.1	4.4	6.5
California	5.1	N.A.	7.8
Colorado	13.3	10.3	8.8
Connecticut	6.2	6.7	10.3
Delaware	7.9	5.9	7.5
District of Columbia	10.5	13.3	11.5
Florida	5.8	8.1	8.6
Georgia	7.8	9.5	8.8
Hawaii	9.2	5.4	4.2
Idaho	11.8	4.7	10.0
Illinois	6.9	3.2	7.9
Indiana	4.6	1.7	6.8
Iowa	3.8	5.9	8.1
Kansas	7.4	3.4	9.2
Kentucky	4.7	3.2	6.3
Louisiana	7.2	3.5	7.6
Maine	7.3	9.8	8.0
Maryland	12.7	2.4	14.5
Massachusetts	8.2	9.5	9.9
Michigan	7.3	4.5	10.1
Minnesota	2.3	2.3	6.3
Mississippi	6.9	1.8	10.6
Missouri	5.9	4.5	8.0
Montana	11.2	12.7	10.2
Nebraska	4.3	4.8	10.1
Nevada	2.3	2.6	3.1
New Hampshire	11.1	7.6	8.4
New Jersey	9.3	3.1	7.5
New Mexico	8.2	4.2	12.5
New York	9.7	4.1	14.8
North Carolina	4.8	7.2	9.3
North Dakota	4.7	2.6	7.9
Ohio	8.7	4.2	9.1
Oklahoma	4.8	2.5	6.4
Oregon	4.0	3.0	9.1
Pennsylvania	8.0	N.A.	6.4

TABLE 1.—CUMULATIVE PAYMENT ERROR RATES: AFDC, MEDICAID, AND FOOD STAMPS (APRIL 1980/SEPTEMBER 1980)—Continued

[In percent]

State	AFDC [1]	Medicaid [2]	Food stamps [1]
Rhode Island	9.7	4.4	12.3
South Carolina	6.9	5.9	9.5
South Dakota	6.8	1.9	8.3
Tennessee	7.0	2.7	10.5
Texas	7.8	3.1	7.2
Utah	5.5	7.0	11.5
Vermont	11.4	8.0	8.9
Virginia	4.7	2.4	8.1
Washington	9.1	1.6	7.9
West Virginia	6.9	2.0	7.3
Wisconsin	7.6	N.A.	8.6
Wyoming	16.4	....	10.0
Guam	N.A.	N.A.	8.4
Puerto Rico	10.3	N.A.	7.6
Virgin Islands	5.4	N.A.	12.2
Total (weighted average)	7.3	4.7	8.9

[1] Not including adjustment for underpayments or improper denials.

[2] Includes adjustment for "liability understated."

TABLE 2.—NATIONWIDE PAYMENT ERROR RATES: SSI (APRIL 1980/SEPTEMBER 1980)

	Percent
Overpayments	1.7
Payments to ineligibles	3.2
Total	4.9

APPENDIX I

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AGED

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AGED

This Appendix presents selected data on the demographic and economic characteristics of the elderly. All of the tables are derived from two studies:

(1) Susan Grad, Income of the Population 55 and Over, 1978 (staff paper No. 41), Office of Research and Statistics, Office of Policy, Social Security Administration, 1981; and

(2) June O'Neill, Sources of Income to the Elderly With Special Reference to Elderly Women (draft), The Urban Institute.

The data source is noted on each table. Both sets of data present a similar description of the economic resources of elderly couples and individuals. For further details about the methodology or definitions used in the study, the reader is referred to the original studies.

TABLE 1.—ELDERLY POPULATION AS PERCENT OF TOTAL POPULATION AND DISTRIBUTION OF ELDERLY BY AGE, 1940 TO 1970, AND PROJECTION 1979 TO 2025, SELECTED YEARS

	1940	1950	1960	1970	1979[1]	1990[1]	2000[1]	2025[1]
Population 65 years and older (in thousands)	9,019	12,257	16,207	20,101	25,187	31,577	34,488	56,118
Percent of total population	6.8	8.2	9.0	9.9	11.0	12.5	12.7	18.1
Percent distribution by age:								
Total 65 years and older	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Men 65 and older	48.8	46.8	45.1	42.0	40.2	39.9	39.6	40.9
Men 65 to 74	35.1	32.7	31.0	27.0	26.4	25.2	23.1	26.1
Men 75 and older	13.7	14.1	14.1	15.0	13.8	14.7	16.5	14.8
Women 65 and older	51.2	53.2	54.9	58.0	59.7	60.1	60.4	59.1
Women 65 to 74	35.6	35.9	35.9	34.8	34.3	32.3	29.2	32.2
Women 75 and older	15.6	17.3	19.0	23.2	25.4	27.8	31.2	26.9

[1] Projection.

Note: Population data for 1940 and 1950 include conterminous U.S. only; 1950 and 1960 refer to total U.S. population; 1979 to 2025 refer to total U.S. plus the outlying areas and include an adjustment for the population under count.

Source: 1940 to 1970, U.S. Bureau of the Census, U.S. Census of Population, 1940, 1960, and 1970; 1979 to 2025, 1979 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, and unpublished estimates from the Office of the Actuary, Social Security Administration. (O'Neill study.)

TABLE 2.—MARITAL STATUS OF AGED INDIVIDUALS, [1] BY SEX AND AGE, 1968 AND 1978

	1968		1978	
	65 to 74 years	75 years and older	65 to 74 years	75 years and older
Men:				
Number (in thousands)	5,096	2,776	6,080	3,090
Percent	100.0	100.0	100.0	100.0
Married, wife present	79.4	59.7	78.1	68.2
Married, wife absent	2.0	2.3	3.0	2.1
Widowed	10.8	30.3	9.7	23.0
Divorced	2.6	1.9	3.5	1.8
Never married	5.3	5.8	5.7	4.8
Women:				
Number (in thousands)	6,395	3,978	8,189	5,109
Percent	100.0	100.0	100.0	100.0
Married, husband present	45.6	20.5	46.2	21.6
Married, husband absent	1.5	.8	2.2	1.3
Widowed	43.3	70.2	41.2	69.3
Divorced	2.5	1.4	3.9	2.1
Never married	7.1	7.2	6.6	5.7

[1] Civilian noninstitutional population only for both 1968 and 1978.

Note: Details may not add totals due to rounding.

Source: U.S. Bureau of the Census, Current Population Report, series P-20, Nos. 187 and 338. (O'Neill study.)

TABLE 3.—FAMILY INCOME BELOW THE POVERTY LINE AND THE NEAR-POOR LINE [1] FOR MARRIED COUPLES BY AGE AND RACE: PERCENT OF UNITS AGED 55 AND OLDER, 1978

Income	All units			Married couples		
	55–61	62–64	65 and older	55–61	62–64	65 and older
All units:						
Number (in thousands)	10,066	3,698	18,179	6,640	2,183	7,152
Percent:						
Below poverty line	10	14	16	4	6	8
Below 125 percent of poverty line	13	19	26	6	10	14
White:						
Number (in thousands)	8,894	3,314	16,280	5,990	2,023	6,583
Percent:						
Below poverty line	8	12	14	6	6	7
Below 125 percent of poverty line	11	16	23	6	9	12
Black:						
Number (in thousands)	1,023	351	1,671	381	140	471
Percent:						
Below poverty line	27	32	36	9	16	22
Below 125 percent of poverty line	36	41	52	17	25	36

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[1] The money income of families containing aged units is compared with the official poverty income lines of families in 1978.

Source: Grad study.

TABLE 4.—CHANGES IN POVERTY STATUS OF ALL PERSONS, AND THE ELDERLY BY SEX, RACE AND FAMILY STATUS, SELECTED YEARS 1959 to 1980

[Percent below the poverty level]

	1959	1966	1970	1975	1977	1980
All persons	22.4	14.7	12.6	12.3	11.6	13.0
Persons 65 years old and over:						
Both sexes	35.2	28.5	24.5	15.3	14.1	15.7
Men	N.A.	23.7	19.0	11.4	10.5	10.9
Women	N.A.	32.1	28.4	18.1	16.7	19.0
Black women[1]	N.A.	57.3	53.2	40.2	41.1	42.6
Wives	57.7	51.9	41.8	23.8	26.8	23.5
Unrelated individual	84.6	83.9	79.2	65.8	60.7	66.5
Black men[1]	N.A.	52.2	41.3	31.0	29.7	31.5
Family head	60.4	50.0	39.2	26.0	28.4	25.0
Unrelated individual	77.5	72.7	59.7	51.8	39.4	45.1
White women[1]	N.A.	30.3	26.5	16.1	14.4	16.8
Wives	28.9	20.2	14.0	7.2	6.2	7.0
Unrelated individual	61.8	55.2	47.5	29.1	25.8	29.3
White men[1]	N.A.	21.3	17.0	9.5	8.3	9.0
Family head	26.8	18.7	13.8	7.1	6.2	6.9
Unrelated individual	56.8	41.3	36.0	23.8	20.1	21.1

[1] Total includes other types of family members not separately designated.

Sources: U.S. Bureau of the Census, Current Population Reports series P–60 referring to the population below the poverty level, various years in series. (O'Neill Study.)

TABLE 5.—CIVILIAN LABOR FORCE PARTICIPATION RATES [1] OF PERSONS 55 YEARS AND OVER, BY AGE AND SEX, SELECTED YEARS, 1950–78

Years	1950	1955	1960	1965	1970	1975	1978
Men:							
55 to 64	86.9	87.9	86.8	84.6	83.0	75.8	73.5
55 to 59	(²)	92.5	91.6	90.2	89.5	84.4	82.9
60 to 64	(²)	82.5	81.1	78.0	75.0	65.7	62.0
60 to 61	(²)	(²)	(²)	84.8	82.6	75.2	73.0
62 to 64	(²)	(²)	(²)	73.2	69.4	58.8	54.2
65 and over	45.8	39.6	33.1	27.9	26.8	21.7	20.5
Women:							
55 to 64	27.0	32.5	37.2	41.4	43.0	41.0	41.4
55 to 59	(²)	35.6	42.2	47.1	50.4	47.9	48.6
60 to 64	(²)	29.0	31.4	34.0	36.1	33.3	33.1
60 to 61	(²)	(²)	(²)	40.4	41.4	39.5	39.7
62 to 64	(²)	(²)	(²)	29.5	32.3	29.0	28.5
65 and over	9.7	10.6	10.8	10.0	9.7	8.3	8.4

[1] Civilian labor force as percent of civilian population.

[2] Data not available.

Source: Monthly Labor Review, November 1979. (O'Neill study.)

TABLE 6.—MEDIAN INCOME OF AGED UNITS, 1978 BY AGE, RACE, AND MARITAL STATUS [1]

	Age		
	55–61	62–64	65 and older
White:			
All units	15,470	10,810	5,960
Married couples	19,740	15,460	9,660
Nonmarried persons	7,840	5,760	4,140
Black:			
All units	6,160	5,150	3,250
Married couples	13,150	(²)	6,560
Nonmarried persons	3,520	3,250	2,770

[1] Income is total money income of the unit.

[2] Too small a sample size.

Source: Grad study.

TABLE 7.—RECEIPT OF INCOME AND SHARE OF INCOME IN 1977 BY SOURCE FOR AGED AND NONAGED FAMILIES AND UNRELATED INDIVIDUALS

	Percent receiving source	Mean receipt (dollars)	Share total income from source (percent)
Families with head 25 to 64 years:			
Total money income[1]	100.0	19,938	100.0
Earnings	94.5	18,975	89.9
Social security	11.5	3,337	1.9
Public assistance	5.9	2,552	.7
Supplemental security income	2.0	1,684	.2
Other transfers	15.7	1,696	1.3
Asset income	52.6	1,273	3.4
Employee pensions and other[2]	13.7	3,663	2.5
Unrelated individuals 25 to 64 years:			
Total money income[1]	100.0	10,341	100.0
Earnings	83.4	10,669	86.0
Social security	10.4	2,404	2.4
Public assistance	2.8	1,595	.4
Supplemental security income	3.7	1,777	.6
Other transfers	11.6	1,577	1.8
Asset income	43.3	1,313	5.5
Employee pensions and other[2]	9.3	3,594	3.2
Families with head 65 years and over:			
Total money income[1]	100.0	12,482	100.0
Earnings	48.2	9,016	34.8
Social security	92.5	4,439	32.9
Public assistance	2.3	1,484	.3
Supplemental security income	8.4	1,456	1.0
Other transfers	10.3	1,933	1.6
Asset income	65.6	3,096	16.3
Employee pensions and other[2]	39.7	4,140	13.2
Unrelated individuals 65 years and over:			
Total money income[1]	100.0	5,326	100.0
Earnings	17.4	3,828	12.5
Social security	92.6	2,687	46.7
Public assistance	1.7	1,026	.3
Supplemental security income	12.5	1,090	2.6
Other transfers	7.0	1,417	1.9
Asset income	55.9	2,066	21.7
Employee pensions and other[2]	26.1	2,927	14.3

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[1] Excludes small percent with no money income.

[2] Includes private and governmental employee pensions, alimony, annuities and other forms of periodic payments.

Source: U.S. Bureau of the Census, Characteristics of the Population Below the Poverty Level, 1977. Table 38. (O'Neill study.)

TABLE 8.—INCOME SOURCES: PERCENT OF UNITS AGED 65 AND OLDER WITH MONEY INCOME FROM SPECIFIED SOURCES,[1] MARITAL STATUS, 1978

Source of income	All units	Married couples	Nonmarried persons
Total number (in thousands)	18,179	7,152	11,027
Percent of units with—			
Earnings	25	41	15
Retirement benefits	93	94	92
Social security[2]	90	91	89
Benefits other than social security	32	44	25
Other public pensions	13	16	12
Railroad retirement	3	3	3
Government employee pensions	10	13	9
Private pensions or annuities	21	31	14
Income from assets	62	71	56
Interest	58	68	52
Other income from assets	23	29	20
Veterans' benefits	5	5	5
Unemployment compensation	1	1	1
Workers' compensation	1	2	1
Public assistance	10	5	14
Supplemental security income	10	5	13
Other public assistance	1	1	2
Personal contributions	1	([3])	1

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[1] Receipt of sources is ascertained by response to a yes/no question which is imputed by CPS. A married couple receives a source if one or both persons are recipients of that source.

[2] Recipients of Social Security may be receiving retired-worker benefits, dependents' or survivors' benefits, disability benefits, transitionally insured benefits, or special age-72 benefits.

[3] Less than 0.5 percent.

Note: Columns may not add to totals due to rounding.

Source: Grad study.

TABLE 9.—RELATIVE IMPORTANCE OF INCOME SOURCES BY MARITAL STATUS: PERCENTAGE DISTRIBUTION OF AGED UNITS AGED 65 AND OVER RECEIVING PARTICULAR SOURCES OF INCOME, 1978

[Number in thousands]

Proportion of income (recipients only) [1]	Social security		Earnings		Public assistance	
	Married couples	Nonmarried couples	Married couples	Nonmarried couples	Married couples	Nonmarried couples
Total number	6,354	9,659	2,889	1,625	366	1,525
Total percent	100	100	100	100	100	100
1 to 19	13	5	23	26	39	27
20 to 39	21	13	21	24	30	23
40 to 59	23	21	19	23	14	22
60 to 79	20	19	17	10	7	5
80 or more	24	42	19	17	10	23
90 or more	16	33	12	12	9	22
100	8	21	3	5	7	21

[1] Units with zero or negative total income are excluded.

Note: This table demonstrates the relative importance of social security benefits, earnings and public assistance for couples and individuals with those income sources. For example, in column one, for 13 percent of the married couples receiving social security, this social income represents from 1 to 19 percent of total income. The total number of married couples in the study is 7,152,000 and the total number of nonmarried persons is 11,027,000.

Source: Grad study.

TABLE 10.—CHANGE IN REAL MEDIAN INCOME OF PERSONS BY AGE AND SEX, 1960 TO 1977

[In constant 1977 dollars [1]]

	1960 [1]	1967 [1]	1970 [1]	1977	Percentage increase		
					1960–70	1960–70	1967–77
Men:							
35 to 44	11,313	13,859	14,771	15,604	37.9	30.6	12.6
45 to 54	10,599	13,391	14,315	15,331	44.6	35.1	14.5
65 and over	3,474	4,182	4,800	5,526	59.1	38.2	32.1
Unrelated individuals	2,732	3,290	3,511	4,123	50.9	28.5	25.3
Women:							
35 to 44	4,162	5,147	5,384	5,538	33.1	29.4	7.6
45 to 54	4,301	5,592	5,770	5,670	31.8	34.2	1.4
65 and over	1,680	2,038	2,375	3,088	83.8	41.4	51.5
Unrelated individuals	2,034	2,563	2,946	3,762	85.0	44.8	46.8

[1] Incomes for 1960, 1967, and 1970 were adjusted for the increase in the Consumer Price Index (CPI) up to 1977.

Source: U.S. Bureau of the Census, Consumer Population Reports, series P–60. (O'Neill study.)

TABLE 11.—ASSET INCOME AND HOME OWNERSHIP BY AGE, SEX, AND MARITAL STATUS, 1975 [1]

	Total	Age	
		65–72	73 and over
Couples:			
Population (in thousands)	6,826	4,118	2,708
Average personal income, dollars	10,652	11,504	9,359
Percent with asset income	73.1	72.8	73.7
Mean asset income, dollars	2,780	2,684	2,924
Percent own home	82.4	83.7	80.4
Percent of owners with mortgage	12.8	18.8	10.4
Nonmarried men:			
Population (in thousands)	2,020	971	1,049
Average personal income, dollars	5,604	5,622	5,588
Percent with asset income	52.6	47.6	57.1
Mean asset income, dollars	1,916	1,620	2,145
Percent living alone	60.9	54.7	66.5
Percent own home	55.8	52.8	58.0
Percent of owners with mortgage	9.1	13.4	6.1
Nonmarried women:			
Population (in thousands)	7,962	3,314	4,648
Average personal income, dollars	4,237	4,825	3,821
Percent with asset income	55.9	57.7	54.6
Mean asset income, dollars	1,673	1,657	1,684
Percent living alone	62.3	65.3	60.2
Percent own home	58.6	59.6	57.8
Percent of owners with mortgage	9.1	12.9	6.0

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[1] Asset income includes income derivable from (1) interest on savings accounts or bonds; (2) dividends from stockholdings and membership in associations; (3) periodic receipts from estates or trust funds; (4) net income from rental of property; (5) receipts from boarders or lodgers; and (6) net royalties.

Source: Survey of Income and Education. (O'Neill study.)

APPENDIX J

EXAMPLES ILLUSTRATING THE INTERACTION BETWEEN SOCIAL SECURITY, SSI, FOOD STAMPS, MEDICAID, AFDC, AND THE TAX SYSTEM AS EARNINGS INCREASE FOR AN AGED COUPLE, A MOTHER WITH TWO CHILDREN, AND A MOTHER WITH THREE CHILDREN

TABLE 1.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING MINIMUM SOCIAL SECURITY (IN A STATE WITHOUT SSI SUPPLEMENTATION) FEBRUARY 1982

Earnings	Social security [1]	SSI	Food stamps [2]	Medicaid	Taxes: Social security	Taxes: Federal income	Work expenses [3]	"Disposable" income
0	$3,065	$1,939	$362	(4)	0	0	0	$5,366
$2,000	3,065	1,329	54	(4)	$134	0	$300	6,014
$4,000	3,065	329	0	[5] No	268	0	600	6,802
$6,000	3,065	0	0	No	402	0	900	7,763
$8,000	2,065	0	0	No	536	$72	900	8,557
$10,000	1,065	0	0	No	670	322	900	9,173
$15,000	0	0	0	No	1,005	1,090	900	12,005
$20,000	0	0	0	No	1,340	2,013	900	15,747
$30,000	0	0	0	No	2,010	4,443	900	22,647
$50,000	0	0	0	No	0	11,545	900	37,555

[1] Minimum benefit for a worker who retired in 1981 at age 65, plus 50 percent of that sum for his aged spouse.

[2] Assumes the $1,020 standard household deduction per year plus $72 in deductible medical expenses.

[3] Assumed to equal standard deduction, prorated for less than full-time work, of the AFDC program.

[4] Most States give automatic medicaid eligibility to SSI recipients, but 14 do not.

[5] Automatic medicaid eligibility would end here. To regain eligibility, a couple would have to "spend-down" in medical expenses to the State's medically needy limit.

Source: Congressional Research Service.

TABLE 2.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING AVERAGE SOCIAL SECURITY (IN A STATE WITHOUT SSI SUPPLEMENTATION) FEBRUARY 1982

Earnings	Social security [1]	SSI	Food stamps [2]	Medicaid [3]	Taxes: Social security	Taxes: Federal income	Work expenses [4]	"Disposable" income
0	$6,732	0	0	0	0	0	0	$6,732
$2,000	6,732	0	0	0	$134	0	$300	8,298
$4,000	6,732	0	0	0	268	0	600	9,864
$6,000	6,732	0	0	0	402	0	900	11,430
$8,000	5,732	0	0	0	536	$72	900	12,224
$10,000	4,732	0	0	0	670	322	900	12,840
$15,000	2,232	0	0	0	1,005	1,090	900	14,237
$20,000	0	0	0	0	1,340	2,013	900	15,747
$40,000	0	0	0	0	2,010	4,443	900	22,647
$50,000	0	0	0	0	0	11,545	900	37,555

[1] Average benefit for a retired worker in 1981, plus 50 percent of that sum for his aged spouse.

[2] Assumes the $1,020 standard household deduction per year plus $72 in medical expenses. Income limit after deductions is $5,688.

[3] For eligibility in those States with medically needy programs, a couple would have to "spend-down" in medical expenses to the State's medically needy limit.

[4] Assumed to equal standard deduction, prorated for less than full-time work of the AFDC program.

Source: Congressional Research Service.

TABLE 3.—EARNINGS AND BENEFITS, AGED COUPLE RECEIVING MAXIMUM SOCIAL SECURITY (IN A STATE WITHOUT SSI SUPPLEMENTATION) FEBRUARY 1982

Earnings	Social security [1]	SSI	Food stamps [2]	Medicaid [3]	Taxes: Social Security	Taxes: Federal Income	Work expenses [4]	"Disposable" Income
0	$13,552	0	0	0	0	0	0	$13,552
$2,000	13,552	0	0	0	$134	0	$300	15,118
$4,000	13,552	0	0	0	268	0	600	16,684
$6,000	13,552	0	0	0	402	0	900	18,250
$8,000	12,552	0	0	0	536	$72	900	19,044
$10,000	11,552	0	0	0	670	322	900	19,660
$15,000	9,052	0	0	0	1,005	1,090	900	21,057
$20,000	6,552	0	0	0	1,340	2,013	900	22,299
$30,000	1,552	0	0	0	2,010	4,443	900	24,199
$50,000	0	0	0	0	0	11,545	900	37,555

[1] Maximum benefit for a worker who retired in 1981 at age 65, plus 50 percent of that sum for his aged spouse.

[2] Income limit (after deductions) is $5,688.

[3] For eligibility in those States with medically needy programs, a couple would have to "spend-down" in medical expenses to the State's medically needy limit.

[4] Assumed to equal standard deduction, prorated for less than full-time work, of the AFDC program.

Source: Congressional Research Service.

TABLE 4.—EARNINGS AND BENEFITS FOR A MOTHER WITH TWO CHILDREN—AFTER 4 MONTHS ON JOB (FEBRUARY 1982)—(PENNSYLVANIA)

Earnings	EITC	AFDC [1]	Food stamps [2]	Medicaid	Taxes: Social security	Taxes: Federal income [3]	Taxes: State income	Work expenses [4]	"Disposable" income
0	0	$3,984	$1,308	Yes	0	0	0	0	[6] $5,292
$2,000	$200	2,724	1,324	Yes	$134	0	0	$940	[6] 5,174
$4,000	400	1,464	1,340	Yes	268	0	0	1,880	[6] 5,056
$5,000	500	834	1,313	Yes	335	0	$11	2,350	[6] 4,951
$6,000	500	0	1,317	[5] No	402	$84	132	2,820	4,379
$7,000	375	0	1,102	No	469	204	154	2,820	4,830
$8,000	250	0	887	No	536	336	176	2,820	5,269
$9,000	125	0	0	No	603	476	198	2,820	5,028
$10,000	0	0	0	No	670	626	220	2,820	5,664
$15,000	0	0	0	No	1,005	1,562	330	2,820	9,283
$20,000	0	0	0	No	1,340	2,682	440	2,820	12,718
$30,000	0	0	0	No	2,010	5,562	660	2,820	18,948
$50,000	0	0	0	No	0	13,625	1,100	2,820	32,455

[1] Assumes pro-rated deductions (standard plus cost of care for one child): $940 at earnings of $2,000; $1,880 at $4,000, $2,350 at $5,000, and $2,820 (maximum under AFDC law) at $6,000 and above.

[2] Assumes these deductions (reflecting proration for dependent care): $1,020 at zero earnings, $1,620 at $2,000, $2,220 at $4,000; $2,400 (maximum) at $5,000 and above.

[3] Head of household rates in effect for 1982.

[4] Assumed to equal deductions allowed in AFDC (see footnote a).

[5] Automatic medicaid eligibility ends when gross income (including EIC) equals $5,976. To regain eligibility, family must spend-down on medical expenses to State's medically needy income limit.

[6] Plus medicaid (which in fiscal year 1978 cost about $1,260 for a 3-person AFDC family, national average).

Source: Congressional Research Service.

TABLE 5.—EARNINGS AND BENEFITS FOR A MOTHER WITH THREE CHILDREN—AFTER 4 MONTHS ON JOB (FEBRUARY 1982)—(PENNSYLVANIA)

Earnings	EITC	AFDC [1]	Food stamps [2]	Medicaid	Taxes			Work expenses [4]	"Disposable" income
					Social security	Federal income [3]	State income		
0	0	$4,740	$1,680	Yes	0	0	0	0	[6] $6,420
$2,000	$200	3,480	1,697	Yes	$134	0	0	$940	[6] 6,303
$4,000	400	2,220	1,714	Yes	268	0	0	1,880	[6] 6,186
$5,000	500	1,590	1,686	Yes	335	0	0	2,350	[6] 6,091
$6,000	500	1,060	1,599	Yes	402	0	$40	2,820	[6] 5,897
$7,000	375	0	1,702	[5] No	469	$84	154	2,820	5,550
$8,000	250	0	1,487	No	536	204	176	2,820	6,001
$9,000	125	0	1,271	No	603	336	198	2,820	6,439
$10,000	0	0	1,056	No	670	476	220	2,820	6,870
$15,000	0	0	0	No	1,005	1,358	330	2,820	9,487
$20,000	0	0	0	No	1,340	2,452	440	2,820	12,948
$30,000	0	0	0	No	2,010	5,242	660	2,820	19,268
$50,000	0	0	0	No	0	13,135	1,100	2,820	32,945

[1] Assumes prorated deductions (standard plus cost of care for one child): $940 at earnings of $2,000; $1,880 at $4,000, $2,350 at $5,000, and $2,820 (maximum under AFDC law) at $6,000 and above.

[2] Assumes these deductions (reflecting proration for dependent care): $1,020 at zero earnings, $1,620 at $2,000, $2,220 at $4,000, $2,400 (maximum) at $5,000 and above.

[3] Head of household rates in effect for 1982.

[4] Assumed to equal deductions allowed in AFDC (see footnote "a").

[5] Automatic medicaid eligibility ends when gross income (including EIC) equals $7,110. To regain eligibility, family must spend-down on medical expenses to State's medically needy income limit.

[6] Plus medicaid (which in fiscal year 1978 cost about $1,680 for a 4-person AFDC family, national average).

Source: Congressional Research Service.

APPENDIX K

STATISTICAL HISTORY OF SOCIAL SECURITY PROGRAMS

STATISTICAL HISTORY OF THE SOCIAL SECURITY PROGRAMS

The Social Security Act of 1935 was signed into law on August 14, 1935. The immediate origin of this legislation was the Committee on Economic Security which had been charged by President Roosevelt with the task of devising safeguards "against misfortune which cannot be wholly eliminated in the man-made world of ours."

In addition to the Federal old-age retirement program (title II), the original Social Security Act also included grants-in-aid to States for: old-age pensions based on need (title I); unemployment compensation systems (title III); aid to dependent children (title IV); maternal and child welfare services, the care of crippled children and vocational rehabilitation (title VI).

The original act has been amended on numerous occasions since 1935. However, the most significant changes to title II were made by the Social Security Amendments of 1939, 1950, 1954, 1956, 1965, 1972 and 1977. In addition, the medicare title XVIII program was added to the Social Security Act in 1965.

Today the term "social security" is seldom used to refer to all of the programs included in the Social Security Act. The term is most often used to refer to either solely title II, the old-age and survivor program insurance program which now also includes the disability insurance program, or to both title II and to title XVIII, the hospital insurance program. This appendix presents historical data concerning the coverage, benefits and financing of each of the three programs.

COVERAGE

The original Social Security Act provided coverage on a mandatory basis under the old-age insurance program of all employees in commerce and industry (except railroad) under age 65. Specifically excluded from coverage "due to difficulties in collecting the tax" were the following services: agricultural labor; domestic services in a private home; casual labor not in the course of the employer's trade or business; and services performed by an officer or member of a crew on a documented vessel. Also specifically excluded were services performed in the employ of: the United States Government, a state or any political subdivision of a state; and non-profit (including religious) organizations.

Coverage has been extended both on a mandatory and a voluntary basis. Mandatory coverage was extended to workers age 65 and over not otherwise excluded in 1939. In 1950 non-farm self-employed, regularly employed farm and domestic workers, and Federal civilian employees not under a retirement system were covered on a mandatory basis. In addition, the 1950 amendments provided elective coverage to State and local government employees not under a retirement system and employees of non-profit organizations.

The most significant extensions of coverage provided by the 1954 amendments were to self-employed farmers on a mandatory basis and, on an elective basis, State and local government employees (except firemen and policemen) under retirement systems and ministers. Coverage was extended to members of the uniformed services in 1956. The principal changes in coverage since 1956 concern ministers and members of religious orders.

The following two tables detail the extension of coverage under the social security program in terms of both jobs and wages:

TABLE 1.—CIVILIAN EMPLOYMENT COVERED BY SOCIAL SECURITY SYSTEM, 1939–77

[In millions]

Year	Paid civilian employees [1]	OASDHI coverage	Percent covered
1939 [2]	43.6	24.0	55.1
1944 [2]	51.2	30.8	60.2
1949 [2]	56.7	34.3	60.5
1954 [2]	59.5	45.3	76.1
1955	62.8	51.8	82.5
1956	63.2	53.2	84.2
1957	63.1	53.7	85.1
1958	62.7	53.4	85.2
1959	64.4	55.4	86.0
1960	64.6	55.7	86.2
1961	65.3	56.1	85.9
1962	66.4	57.3	86.3
1963	67.6	58.5	86.5
1964	69.3	60.1	86.7
1965	71.6	62.8	87.7
1966	73.6	64.9	88.2
1967	74.4	65.7	88.3
1968	75.9	67.1	88.4
1969	77.9	68.6	88.1
1970	77.7	69.2	89.1
1971	79.3	69.8	88.0
1972	82.1	72.6	88.4
1973	84.9	75.6	89.0
1974	84.5	75.2	89.0
1975	84.8	75.7	89.3
1976	87.8	79.7	90.8
1977	92.0	88.7	96.4

[1] Includes paid employees and self-employed for all years.

[2] Monthly average for these years; all other years as of December.

Source: Social Security Statistical Supplement, 1977–79, and Historical Statistics of the United States.

TABLE 2.—CIVILIAN WAGES COVERED BY SOCIAL SECURITY SYSTEM, 1946–77

[In millions]

Year	Total earnings	Earnings in covered employment		Total covered earnings	Percent covered earnings
		Employed	Self-empl.		
1946	148,597	79,000	....	79,000	53.2
1947	158,923	92,100	....	92,100	58.0
1948	176,213	101,900	....	101,900	57.8
1949	170,888	99,600	....	99,600	58.3
1950	185,357	109,400	....	109,400	59.0
1951	214,086	131,200	16,300	147,500	68.9
1952	228,295	141,800	16,300	158,100	69.3
1953	239,921	154,000	16,900	170,900	71.2
1954	237,594	153,200	16,700	169,900	71.5
1955	254,148	169,400	24,400	193,800	76.3
1956	271,949	186,200	28,100	214,300	78.8
1957	284,233	203,100	28,200	231,300	81.4
1958	287,880	205,600	28,300	233,900	81.2
1959	306,159	222,500	29,700	252,200	82.4
1960	318,910	234,300	29,100	263,400	82.6
1961	327,718	238,800	29,900	268,700	82.0
1962	347,656	255,700	31,300	287,000	82.6
1963	363,727	268,200	31,600	299,800	82.4
1964	388,380	288,400	33,500	321,900	82.9
1965	418,679	308,600	40,200	348,800	83.3
1966	458,669	344,200	43,900	388,100	84.6
1967	488,464	374,700	44,700	419,400	85.9
1968	532,943	410,500	46,300	456,800	85.7
1969	580,788	452,500	46,900	499,400	86.0
1970	611,593	480,000	47,900	527,900	86.3
1971	647,146	505,200	50,600	555,800	85.9
1972	709,899	559,100	54,500	613,600	86.4
1973	793,691	619,800	62,800	682,600	86.0
1974	850,831	678,100	65,600	743,700	87.4
1975	891,700	713,600	68,600	782,200	87.7
1976	979,843	794,600	79,500	874,100	89.2
1977	1,087,292	883,500	86,200	969,700	89.2

Source: Social Security Statistical Supplement, 1977–79.

BENEFITS

In order to be fully insured, under the 1939 Amendments, a worker needed 2 quarters of coverage for each year elapsed since 1936 and before the quarter in which the worker died or turned 65. The Social Security Amendments of 1950 significantly increased the number of workers who were insured for monthly benefits by requiring only one quarter of coverage, which could be earned at any time, for each calendar year after 1950 or age 21, subject to the same maximum and minimum. The 1967 Amendments liberalized the insured status requirements for disability benefits for workers under age 31 which significantly increased the number of workers insured for disability beginning in 1969.

The 1935 Social Security Act provided monthly benefits to retired workers age 65 and over and a lump-sum death benefit to these workers. The monthly benefits were to first be paid beginning January 1, 1942. The 1939 Social Security Amendments provided benefits to dependents and survivors—wives age 65 and over and children under age 18—of retired and deceased workers. In addition the 1939 Amendments provided that these benefits first be paid in 1940.

Benefits which have been provided in retirement and survivors programs since 1939 include: retired women aged 62–65 (1956); retired men aged 62–65 (1961); widows aged 60–64 (1956 and 1965); widowers aged 60 and over (1950, 1961, and 1972).

In 1956, benefits were extended to disabled workers aged 50–64 and to disabled children age 18 and over, if they became disabled prior to age 18. The Social Security Amendments of 1958 provided benefits to the dependents of disabled workers on the same basis as dependents of retired workers. Benefits for disabled workers under age 50 were provided in 1960.

Monthly cash benefits have been increased in order to offset the effects of inflation on an ad hoc basis 10 times prior to the first automatic cost-of-living adjustment which was incorporated in the act by the Social Security Amendments of 1972. Beginning with the 1975 increase, benefits have been increased annually on an automatic basis.

The following tables provide historical background concerning changes in insured status, benefit types, average amounts and increases, and OASDHI benefits paid:

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–81

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1940	40.7	22.9	56.3	22.9	0.6	22.3	(1)	
1941	44.8	24.9	55.6	24.2	1.1	23.1	0.7	
1942	50.9	27.5	54.0	25.8	1.4	24.4	1.7	
1943	58.5	31.2	53.3	28.1	1.8	26.3	3.1	
1944	65.4	34.9	53.4	29.9	2.3	27.6	5.0	
1945	69.6	38.6	55.5	31.9	2.8	29.1	6.7	
1946	72.4	40.3	55.7	33.4	3.4	30.0	6.9	
1947	75.2	41.8	55.6	35.4	8.6	26.8	6.4	
1948	77.4	43.4	56.1	37.3	11.6	25.7	6.1	
1949	79.4	44.8	56.4	38.9	13.2	25.7	5.9	
1950	80.8	45.7	56.6	40.1	14.9	25.2	5.6	

TABLE 3.—INSURED STATUS AND COVERED WORKERS, 1940–81—Continued

[In millions]

At beginning of year	Total number of living workers	Living workers insured for retirement and/or survivor benefits						Living workers insured in event of disability
		Total insured		Fully insured			Currently insured only	
		Number	Percent	Total	Permanently insured	Not permanently insured		
1951	82.7	59.8	72.3	59.8	21.0	38.8	(1)	....
1952	88.0	62.8	71.4	62.8	22.9	39.9	(1)	....
1953	90.8	68.2	75.1	68.2	25.6	42.7	(1)	....
1954	93.1	71.0	76.3	71.0	27.7	43.4	(1)	....
1955	94.7	70.6	74.6	70.2	29.9	40.4	.4	31.9
1956	98.6	71.4	72.4	70.5	32.5	38.0	.9	35.4
1957	101.4	74.3	73.3	74.0	36.1	38.0	.3	37.2
1958	103.8	77.0	74.2	76.1	38.3	37.9	.9	38.4
1959	105.3	78.9	74.9	76.5	40.3	36.2	2.4	43.4
1960	107.4	79.7	74.2	76.7	42.2	34.6	3.0	46.4
1961	109.4	85.4	78.1	84.4	47.6	36.8	1.0	48.5
1962	111.2	89.1	80.1	88.5	53.3	35.3	.5	50.5
1963	113.3	90.4	79.8	89.8	54.9	34.8	.6	51.5
1964	115.6	92.0	79.6	91.3	56.6	34.7	.8	52.3
1965	118.1	93.6	79.3	92.8	58.3	34.5	.9	53.3
1966	121.3	95.8	79.0	94.8	60.2	34.6	.9	55.0
1967	125.0	98.3	78.6	97.2	61.9	35.3	1.1	55.7
1968	127.9	101.2	79.1	99.9	63.3	36.6	1.3	56.9
1969	130.8	104.0	79.5	102.6	64.5	38.1	1.4	70.1
1970	133.5	106.9	80.1	105.4	65.8	39.6	1.5	72.4
1971	135.9	109.8	80.8	108.2	67.9	41.2	1.6	74.5
1972	138.2	112.2	81.2	110.6	68.2	42.4	1.7	76.1
1973	140.6	114.8	81.7	113.2	69.8	43.4	1.6	77.8
1974	142.9	118.0	82.6	116.4	71.0	45.3	1.6	80.4
1975	145.2	121.4	83.6	119.8	72.6	47.2	1.6	83.3
1976	148.3	124.5	84.0	122.9	74.0	48.9	1.6	85.3
1977	150.9	127.2	84.3	125.6	75.9	49.7	1.6	87.0
1978	154.0	130.2	84.6	128.5	77.8	50.7	1.7	88.8
1979 [2]	156.8	132.9	84.8	131.2	79.7	51.5	1.7	91.1
1980 [2]	159.2	135.8	85.3	134.1	81.4	52.7	1.7	93.1
1981 [2]	161.8	138.6	85.7	136.9	83.1	53.8	1.7	95.2

[1] Persons currently unsured before July 1940, or currently insured after August 1950 and before July 1954, are also fully insured.

[2] Preliminary.

Source: Social Security Statistical Supplement, 1977–79 and Office of Research and Statistics.

TABLE 4.—PERCENT OF INSURED WORKERS AGED 62 AND OVER IN CURRENT PAYMENT STATUS, 1941–81 [1]

	Aged 62–64			Aged 65 and over		
	Male	Female	Total	Male	Female	Total
1941				20	25	20
1945				29	40	30
1950				59	61	59
1951				57	55	56
1952				64	70	65
1953				60	64	61
1954				66	71	67
1955				70	75	71
1956				81	85	82
1960		44	44	84	87	85
1965	32	47	38	89	89	89
1966	32	46	37	90	89	89
1967	33	46	38	90	91	91
1968	33	46	38	90	91	90
1969	34	46	39	90	91	90
1970	34	46	39	90	90	90
1971	36	47	41	90	90	90
1972	39	49	43	91	89	90
1973	41	52	46	92	90	91
1974	44	54	48	94	91	93
1975	46	56	50	94	91	93
1976	49	57	53	94	91	93
1977	49	57	53	94	91	93
1978	51	58	54	94	91	93
1979	50	58	54	94	92	93
1980	52	59	55	95	91	93
1981	54	59	56	95	91	93

[1] Includes both OASI and DI worker benefits.

Source: Social Security Statistical Supplement, 1977–79 and Office of Research and Statistics.

TABLE 5.—OASDI AVERAGE MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS, BY SELECTED FAMILY GROUPS, SELECTED YEARS, 1944–78

[Average monthly amount]

At end of year	Retired-worker families				Survivor families				Disabled-worker families				
	Worker only			Worker and wife	Aged widow only	Widowed mother and—			Worker only			Worker, wife, and—	
	Total	Men	Women			1 child	2 children	3 or more children	Total	Men	Women	1 child	2 or more children
1944.....	23.00	24.10	19.30	37.90	20.20	34.40	47.30	50.10					
1950.....	42.20	44.60	34.80	71.70	36.50	76.90	93.90	92.40					
1955.....	59.10	64.60	49.80	103.50	48.70	106.80	135.40	133.20					
1960.....	69.90	79.90	59.60	123.90	57.70	131.70	188.00	181.70	87.90	91.90	76.90	184.70	192.20
1965.....	80.10	90.50	70.00	141.50	73.90	153.00	219.80	218.10	95.40	100.70	85.00	201.00	216.30
1970.....	114.20	128.70	101.60	198.90	102.40	213.00	291.10	289.90	128.10	136.30	113.10	264.10	273.20
1971.....	127.40	143.70	113.30	222.30	114.40	238.30	320.00	315.60	142.70	152.69	124.90	290.20	296.70
1972.....	157.10	177.00	140.20	272.50	138.30	290.00	383.10	376.10	175.00	188.20	151.80	356.30	362.80
1973.....	161.60	180.10	146.00	276.70	158.40	297.80	391.00	377.90	178.20	192.80	153.20	364.80	367.20
1974.....	183.10	204.20	164.60	312.30	178.80	335.00	438.40	421.90	200.00	217.80	170.60	409.90	411.30
1975.....	201.60	225.50	181.80	343.90	195.90	367.20	468.60	461.80	218.90	240.00	185.00	441.00	454.00
1976.....	218.80	245.10	197.10	373.10	211.00	399.80	503.40	499.70	327.40	261.40	199.40	482.20	495.70
1977.....	236.80	265.90	213.10	404.40	226.50	436.80	546.60	538.60	265.50	283.80	213.80	525.80	538.10
1978.....	256.60	288.90	230.30	437.50	243.60	474.00	591.90	582.80	277.90	308.50	230.20	568.00	585.90

Source: Social Security, Statistical Supplement, 1977–79, and Office of Research and Statistics.

TABLE 6.—HISTORICAL COMPARISON OF AVERAGE WAGE INCREASES TO BENEFIT INCREASES AND CHANGES IN CPI

[In percent]

	Increases in wages [1]		Increase in CPI		Benefit increases	
	Year to year	Cumulative since year of each benefit increase to 1981	Year to year	Cumulative since year of each benefit increase to 1981	Increase during year	Cumulative since year of each benefit increase to 1981
1965		194.6		190.8	7.0	244.8
1968	19.6	146.3	10.3	163.6	13.0	205.1
1970	11.0	121.9	11.6	136.2	15.0	165.3
1971	5.0	111.3	4.3	126.5	10.0	141.2
1972	9.8	92.4	3.3	119.3	20.0	101.0
1974	12.6	70.9	17.9	86.0	11.0	81.1
1975 [1]	7.5	59.0	9.1	70.5	8.0	67.7
1976	6.9	48.7	5.8	61.2	6.4	57.6
1977	6.0	40.3	6.5	51.4	5.9	48.8
1978	7.9	30.0	7.7	40.6	6.5	39.7
1979	[2] 8.7	19.6	11.5	26.1	9.9	27.1
1980	[3] 8.5	[3] 10.2	13.5	[3] 11.1	14.3	11.2
1981	10.2		11.1		11.2	

[1] Increases from 1975 on were tied to increases in the CPI.

[2] Based on average of total wages used for social security indexing series.

[3] Estimates from 1981 Trustees' Report Intermediate II–B assumptions.

Source: Congressional Research Service, August 1981.

TABLE 7.—OASDHI EXPENDITURES AS PERCENT OF TOTAL SOCIAL WELFARE EXPENDITURE [1]

	Total expenditure [2]	OASDHI	Percent
1929	3,921		
1940	8,795	40.4	0.5
1950	23,508	784.1	3.3
1955	32,640	4,436.3	13.6
1960	52,293	11,032.3	21.1
1965	77,175	16,997.5	22.0
1970	145,856	36,835.4	25.3
1975	290,064	78,429.9	27.0
1977	361,553	105,410.1	29.2
1978	394,462	117,432.9	29.8
1979	428,333	131,750.6	30.7

[1] Expenditures include those from Federal, State and local revenues (general and special) and trust funds and other expenditures under public law.

[2] Includes expenditures for public education, health and medical programs, veteran's programs, public aid (including SSI and food stamps) as well as social insurance programs other than social security.

Source: Social Security, Statistical Supplement, 1977–79.

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME

[In millions]

Year	Total benefits	Cash benefits		Personal income	Total benefits as percent of personal income
		OASI	DI		
1937	$1	$1	....	$73,751	(1)
1938	10	10	....	67,951	(1)
1939	14	14	....	72,352	(1)
1940	35	35	....	77,813	(1)
1941	88	88	....	95,310	0.1
1942	131	131	....	122,392	.1
1943	166	166	....	150,695	.1
1944	209	209	....	164,352	.1
1945	274	274	....	169,828	.2
1946	378	378	....	177,317	.2
1947	466	466	....	189,779	.2
1948	556	556	....	208,471	.3
1949	667	667	....	205,635	.3
1950	961	961	....	226,102	.4
1951	1,885	1,885	....	253,677	.7
1952	2,194	2,194	....	270,410	.8
1953	3,006	3,006	....	286,146	1.1
1954	3,670	3,670	....	288,177	1.3
1955	4,968	4,968	....	308,796	1.6
1956	5,715	5,715	....	330,903	1.7
1957	7,404	7,347	$57	349,294	2.1
1958	8,576	8,327	249	359,267	2.4
1959	10,298	9,842	457	382,097	2.7
1960	11,245	10,677	568	399,724	2.8
1961	12,749	11,862	887	414,967	3.1
1962	14,461	13,356	1,105	440,716	3.3
1963	15,427	14,217	1,210	463,085	3.3
1964	16,223	14,914	1,309	495,651	3.3
1965	18,311	16,737	1,573	537,031	3.4
1966	20,048	18,267	1,781	584,875	3.4
1967	21,406	19,468	1,939	626,626	3.4
1968	24,938	22,642	2,294	685,220	3.6
1969	26,751	24,209	2,542	745,827	3.6
1970	31,863	28,796	3,067	801,271	4.0
1971	37,171	33,413	3,758	859,092	4.3
1972	41,595	37,122	4,473	942,536	4.4

TABLE 8.—TOTAL OASDI BENEFITS PAID, AND AS A PERCENT OF PERSONAL INCOME—Continued

[In millions]

Year	Total benefits	Cash benefits		Personal income	Total benefits as percent of personal income
		OASI	DI		
1973	$51,459	$45,741	$5,718	$1,052,440	4.9
1974	58,521	51,618	6,903	1,154,936	5.1
1975	66,923	58,509	8,414	1,255,486	5.3
1976	75,665	65,699	9,966	1,381,610	5.5
1977	84,576	73,113	11,463	1,531,576	5.5
1978	92,865	80,352	12,513	1,717,399	5.4
1979	104,264	90,556	13,708	1,923,700	5.4
1980	120,511	105,074	15,437	2,160,975	5.6

[1] Less than 0.05 percent.

Source: Social Security, Statistical Supplement, 1977–79, and Office of Research and Statistics.

TABLE 9.—PAST AND FUTURE EARNINGS LEVELS, BENEFITS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, UNDER PRESENT LAW, 1952–2055[1]

Calendar year	Actual earnings in previous year			Annual initial benefit amount (actual dollars)			Annual initial benefit amounts (1981 constant dollars)			Replacement rates[3] (in percent)		
	Low earner	Average earner	Maximum earner[2]	Low earner	Average earner	Maximum earner[2]	Low earner	Average earner	Maximum earner[2]	Low earner	Average earner	Maximum earner[2]
1953	1,600	2,800	3,600	[4] 700	[4] 900	[4] 1,000	[4] 2,800	[4] 3,700	[4] 4,200	46	31	28
1955	1,600	3,100	3,600	800	1,100	1,200	2,800	3,900	4,200	50	35	33
1960	2,100	3,700	4,200	900	1,300	1,400	3,100	4,300	4,700	45	33	30
1965	2,500	4,400	4,800	1,000	1,400	1,580	3,200	4,500	4,900	40	31	33
1970	3,300	5,600	7,800	1,400	2,000	2,300	3,400	4,800	5,400	43	34	29
1975	3,300	7,600	10,800	2,300	3,400	3,900	3,800	5,500	6,500	60	42	30
1980	5,500	10,600	17,700	3,900	5,900	7,400	[5] 4,400	[5] 6,700	[5] 8,500	[5] 64	[5] 51	[5] 33
1990	12,000	23,600	53,400	7,000	10,500	14,000	3,900	5,800	7,800	56	42	25
2000	20,500	40,300	92,400	11,900	17,900	25,500	4,400	6,700	9,500	55	42	26
2010	34,900	68,800	157,800	20,000	30,600	46,400	5,000	7,700	11,700	54	42	28
2020	59,700	117,600	269,700	33,800	52,300	81,000	5,700	8,900	13,800	54	42	29
2030	101,900	200,900	460,500	57,700	89,300	138,700	6,600	10,200	15,900	54	42	29
2040	174,100	343,100	786,600	98,600	152,500	236,800	7,600	11,800	18,300	54	42	29
2055	388,800	765,000	1,755,300	220,200	340,500	528,600	9,500	14,600	22,700	54	42	29

[1] For workers age 65 upon retirement with steady career earnings and benefits rounded to nearest $100.

[2] Earnings equal to the social security taxable earnings base.

[3] Initial benefits expressed as percent of earnings in year prior to entitlement.

[4] 1953 benefit awards.

[5] Benefit levels and replacement rate for these workers were unaffected by the 1977 amendments.

Source: Office of Actuary, SSA, August 1981.

FINANCING

The payroll tax is imposed on a specific dollar amount of annual covered wages. Workers who earn more than this maximum taxable wage base do not pay FICA tax on their earnings above the wage base.

The wage base has increased numerous times from 1937 through 1982. A majority of these increases have been provided through specific legislative amendments. However, the wage base is currently automatically adjusted annually according to the average increase in wages in the economy.

The tax rates have also been changed many times since 1937. Under the original act, the OASI tax rate was scheduled to gradually increase from 1 percent in 1937 to 3 percent in 1949. These increases were delayed several times during the 1940's and the tax rate did not increase to 1.5 percent until 1950. The current OASI tax rate is 4.57 percent. The tax for the disability insurance program was 0.25 percent in 1957 and is .825 percent in 1982. The hospital insurance (medicare part A) rate was 0.35 percent in 1966 and is currently 1.30 percent.

The following two tables detail the annual taxable earnings base, the three individual and combined tax rates and the annual maximum contribution for both employees, employers, and self-employed persons:

TABLE 10.—ANNUAL MAXIMUM TAXABLE EARNINGS, CONTRIBUTION RATE, AND MAXIMUM CONTRIBUTION: EMPLOYERS AND EMPLOYEES

Beginning—	Annual maximum taxable earnings	Contribution rate				Maximum annual contribution			
		Total	OASI	DI	HI	Total	OASI	DI	HI
1937	$3,000	1	1	...	...	$30.00	$30.00	...	...
1950	3,000	1.5	1.5	...	...	45.00	45.00	...	...
1951	3,600	1.5	1.5	...	...	54.00	54.00	...	...
1954	3,600	2	2	...	...	72.00	72.00	...	...
1955	4,200	2	2	...	...	84.00	84.00	...	...
1957	4,200	2.25	2	0.25	...	94.50	84.00	$10.50	...
1959	4,800	2.5	2.25	.25	...	120.00	108.00	12.00	...
1960	4,800	3	2.75	.25	...	144.00	132.00	12.00	...
1962	4,800	3.125	2.875	.25	...	150.00	138.00	12.00	...
1963	4,800	3.625	3.375	.25	...	174.00	162.00	12.00	...
1966	6,600	4.2	3.5	.35	0.35	277.20	231.00	23.10	$23.10
1967	6,600	4.4	3.55	.35	.5	290.40	234.30	23.10	33.00
1968	7,800	4.4	3.325	.475	.6	343.20	259.35	37.05	46.80
1969	7,800	4.8	3.725	.475	.6	374.40	290.55	37.05	46.80
1970	7,800	4.8	3.65	.55	.6	374.40	284.70	42.90	46.80
1971	7,800	5.2	4.05	.55	.6	405.60	315.90	42.90	46.80
1972	9,000	5.2	4.05	.55	.6	468.00	364.50	49.50	54.00
1973	10,800	5.85	4.3	.55	1.0	631.80	464.40	59.40	108.00
1974	13,200	5.85	4.375	.575	.9	772.20	577.50	75.90	118.80
1975	14,100	5.85	4.375	.575	.9	824.85	616.875	81.075	126.90
1976	15,300	5.85	4.375	.575	.9	895.05	669.375	87.975	137.70
1977	16,500	5.85	4.375	.575	.9	965.25	721.875	94.875	148.50
1978	17,700	6.05	4.275	.775	1.00	1,070.85	756.675	137.175	177.00
1979	22,900	6.13	4.33	.75	1.05	1,403.77	991.57	171.75	240.45
1980	25,900	6.13	4.33	.75	1.05	1,587.67	1,121.47	194.25	271.95

TABLE 10.—ANNUAL MAXIMUM TAXABLE EARNINGS, CONTRIBUTION RATE, AND MAXIMUM CONTRIBUTION: EMPLOYERS AND EMPLOYEES—Continued

Beginning—	Annual maximum taxable earnings	Contribution rate				Maximum annual contribution			
		Total	OASI	DI	HI	Total	OASI	DI	HI
1981	$29,700	6.65	4.525	.825	1.3	$1,975.05	$1,343.93	$245.03	$386.10
1982	32,400	6.7	4.575	.825	1.3	2,170.81	1,482.3	267.3	421.20
1983 to 1984	(1)	6.7	4.575	.825	1.3				
1985	(1)	7.05	4.75	.95	1.35				
1986 to 1989	(1)	7.15	4.75	.95	1.45				
1990	(1)	7.65	5.1	1.1	1.45				
Total cumulative employee contributions 1937 to 1982						16,936.50	12,727.27	1,775.33	2,433.90

[1] Subject to automatic increase. Intermediate projections are: 1983, $35,400; 1984, $38,700; 1985, $42,600; 1986, $46,200.

TABLE 11.—ANNUAL MAXIMUM TAXABLE EARNINGS, CONTRIBUTION RATE, AND MAXIMUM CONTRIBUTION: SELF-EMPLOYED

Beginning	Annual maximum taxable earnings	Contribution rate				Maximum annual contribution			
		Total	OASI	DI	HI	Total	OASI	DI	HI
1937	$3,000								
1950	3,000								
1951	3,600	2.25	2.25			$81.00	$81.00		
1954	3,600	3	3			108.00	108.00		
1955	4,200	3	3			126.00	126.00		
1957	4,200	3.375	3	0.375		141.75	126.00	$15.75	
1959	4,800	3.75	3.375	.375		180.00	162.00	18.00	

TABLE 11.—ANNUAL MAXIMUM TAXABLE EARNINGS, CONTRIBUTION RATE, AND MAXIMUM CONTRIBUTION: SELF-EMPLOYED—Continued

Beginning	Annual maximum taxable earnings	Contribution rate				Maximum annual contribution			
		Total	OASI	DI	HI	Total	OASI	DI	HI
1960	$4,800	4.5	4.125	.375		$216.00	$198.00	$18.00	
1962	4,800	4.7	4.325	.375		225.60	207.60	18.00	
1963	4,800	5.4	5.025	.375		259.20	241.20	18.00	
1966	6,600	6.15	5.275	.525	0.35	405.90	348.15	34.65	$23.10
1967	6,600	6.4	5.375	.525	.5	422.40	354.75	34.65	33.00
1968	7,800	6.4	5.0875	.7125	.6	499.20	396.825	55.575	46.80
1969	7,800	6.9	5.5875	.7125	.6	538.20	435.825	55.575	46.80
1970	7,800	6.9	5.475	.825	.6	538.20	427.05	64.35	46.80
1971	7,800	7.5	6.075	.825	.6	585.00	473.85	64.35	46.80
1972	9,000	7.5	6.075	.825	.6	675.00	546.75	74.25	54.00
1973	10,800	8	6.205	.795	1.0	864.00	670.14	85.86	108.00
1974	13,200	7.9	6.185	.815	.9	1,042.80	816.42	107.58	118.80
1975	14,100	7.9	6.185	.815	.9	1,113.90	872.085	114.915	126.90
1976	15,300	7.9	6.185	.815	.9	1,208.70	946.305	124.695	137.70
1977	16,500	7.9	6.185	.815	.9	1,303.50	1,020.525	134.475	148.50
1978	17,700	8.10	6.01	1.09	1.00	1,433.70	1,063.77	192.93	177.00
1979	22,900	8.10	6.01	1.04	1.05	1,854.90	1,376.29	238.16	240.45
1980	25,900	8.10	6.01	1.04	1.05	2,097.90	1,556.59	269.36	271.95
1981	29,700	9.30	6.7625	1.2375	1.30	2,762.10	2,008.46	367.54	386.1
1982	32,400	9.35	6.8125	1.2375	1.30	3,029.40	2,207.25	400.95	421.2
1983 to 1984	(1)	9.35	6.8125	1.2375	1.30				
1985	(1)	9.90	7.125	1.425	1.35				

TABLE 11.—ANNUAL MAXIMUM TAXABLE EARNINGS, CONTRIBUTION RATE, AND MAXIMUM CONTRIBUTION: SELF-EMPLOYED—Continued

Beginning	Annual maximum taxable earnings	Contribution rate				Maximum annual contribution			
		Total	OASI	DI	HI	Total	OASI	DI	HI
1986 to 1989	(1)	10.00	7.125	1.425	1.45				
1990	(1)	10.75	7.65	1.65	1.45				
Cumulative contributions, 1937 to 1982						22,876.51	17,865.24	2,577.37	2,433.90

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[1] See table 9 for estimated increases.

TABLE 12.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937–77

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1937	$32,200	$29,620	92.0
1938	28,500	26,500	93.0
1939	32,200	29,750	92.4
1940	35,700	32,970	92.4
1941	45,500	41,850	92.0
1942	58,200	52,940	91.0
1943	69,700	62,420	89.6
1944	73,300	64,430	87.9
1945	71,600	62,950	87.9
1946	79,300	69,090	87.1
1947	92,400	78,370	84.8
1948	102,300	84,120	82.2
1949	100,000	81,810	81.8
1950	109,800	87,500	79.7
1951	148,900	120,770	81.1
1952	159,900	128,640	80.5
1953	173,000	135,870	78.5
1954	171,900	133,520	77.7
1955	196,100	157,540	80.3
1956	216,800	170,720	78.8
1957	233,900	181,380	77.5
1958	236,500	180,720	76.4
1959	255,000	202,310	79.3
1960	265,200	207,000	78.1
1961	270,700	209,640	77.4
1962	289,000	219,050	75.8
1963	302,300	225,550	74.6
1964	324,500	236,390	72.8
1965	351,700	250,730	71.3
1966	390,700	312,540	80.0
1967	422,300	329,960	78.1
1968	460,000	375,840	81.7
1969	502,800	402,550	80.1
1970	531,600	415,600	78.2
1971	559,700	426,960	76.3
1972	617,900	484,110	78.3
1973	686,700	561,850	81.8
1974	746,700	636,760	85.3

TABLE 12.—TAXABLE COVERED WAGES AS A PERCENT OF ALL COVERED WAGES, 1937–77—Continued

Year	Earnings		
	Total in covered employment (in millions)	Reported taxable	
		Amount (in millions)	Percent of total
1975	$787,000	$664,750	84.5
1976[1]	877,500	737,550	84.1
1977[1]	975,400	814,000	83.5

[1] Preliminary Data.

Source: Social Security, Statistical Supplement, 1977–79.

CONCLUSION

Table 13 indicates the status of the three major social security funds, both separated and combined, measured as a percent assets available at the beginning of each year:

TABLE 13.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR

[In percent]

Year	OASI	DI	HI	Combined
1937				
1938	7,660			7,660
1939	8,085			8,085
1940	2,781			2,781
1941	1,782			1,782
1942	1,737			1,737
1943	1,891			1,891
1944	2,025			2,025
1945	1,975			1,975
1946	1,704			1,704
1947	1,592			1,592
1948	1,542			1,542
1949	1,487			1,487
1950	1,156			1,156
1951	698			698
1952	681			681
1953	564			564
1954	500			500
1955	405			405
1956	371			371
1957	300			300
1958	259	249		259

TABLE 13.—ASSETS OF OLD-AGE AND SURVIVORS INSURANCE (OASI), DISABILITY INSURANCE (DI), AND HOSPITAL INSURANCE TRUST FUNDS AT BEGINNING OF YEAR AS PERCENT OF OUTGO DURING YEAR—Continued

[In percent]

Year	OASI	DI	HI	Combined
1959	212	284		215
1960	180	304		186
1961	164	239		169
1962	141	206		146
1963	123	183		128
1964	118	159		122
1965	109	121		110
1966	96	83		91
1967	101	83	28	90
1968	103	83	25	90
1969	102	111	43	95
1970	101	126	47	96
1971	94	140	54	93
1972	88	140	47	87
1973	75	125	40	76
1974	68	110	69	73
1975	63	92	79	68
1976	54	71	77	60
1977	47	48	66	50
1978	39	26	57	41
1979	30	30	54	34
1980	23	35	52	29
1981	18	20	45	23

Source: Social Security Statistical Supplement, 1977–79 and various trustees' reports.